Bengal ENERGY LTD.

(Formerly Avery Resources Inc.)

International exploration & production

Management's Discussion & Analysis

Three Months Ended June 30, 2008 and 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS – August 8, 2008

The following Management's Discussion and Analysis ('MD&A') as provided by the management of Bengal Energy Ltd. ("Bengal" or the "Company") (formerly Avery Resources Inc. – see paragraph on subsequent event) should be read in conjunction with the unaudited consolidated interim financial statements and notes thereto for the three months ended June 30, 2008 and 2007 and the audited Consolidated Financial Statements and notes thereto for the years ended March 31, 2008 and 2007. The reader should be aware that historical results are not necessarily indicative of future performance. The quarterly financial statements have been approved by Bengal's board of directors but have not been reviewed by the Company's auditors.

Basis of Presentation - *The financial statements and financial data presented herein were prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The reporting and the measuring currency is the Canadian dollar. For the purpose of calculating unit costs, natural gas volumes have been converted to barrels of oil equivalent ("boe") using a conversion ratio of six thousand cubic feet ("mcf") of natural gas to one barrel ("bbl") of oil. The following Management Discussion and Analysis compares the results of the three months ended June 30, 2008 ("Q1-2009") to the three months ended June 30, 2007 ("Q1-2008") and the results of the three months ended March 31, 2008 ("Q4-2008").*

Non-GAAP Measurements - *Included in this report are references to terms commonly used in the oil and gas industry, such as funds flow from operations and operating netback, which are not defined by Canadian GAAP and are referred to as non-GAAP measures and therefore may not be comparable to performance measures presented by others. The term funds flow from operations is used to represent cash flow from operating activities prior to changes in non-cash working capital. Operating netbacks represent petroleum and natural gas sales less royalties, operating and transportation costs calculated on a boe basis. Management believes that in addition to net earnings (loss), funds from operations and operating netback are useful supplemental measures as they provide an indication of Bengal's operating performance and liquidity. Investors should be cautioned, however, that these measures should not be construed as an alternative to net earnings determined in accordance with GAAP as an indication of Bengal's performance.*

The following table reconciles cash provided by operations to funds flow from operations, which is used in the MD&A:

	Three Months Ended		
$000's	**06/30/08**	**06/30/07**	**03/31/08**
Cash provided by (used in) operations	**607**	(79)	(527)
Changes in non-cash working capital	**222**	(132)	301
Funds flow from operations	**829**	(211)	(226)

Forward Looking Statements - *Certain statements contained within the Management's Discussion and Analysis, and in certain documents incorporated by reference into this document, constitute forward looking statements. 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, or incorporated by reference into, this MD&A should not be unduly relied upon. These statements speak only as of the date of this MD&A or as of the date specified in the documents incorporated by reference into this Management's Discussion and Analysis, as the case may be.*

In particular, this Management's Discussion and Analysis, and the documents incorporated by reference, contain forward-looking statements pertaining to the following:

- *the performance characteristics of Bengal's oil and natural gas properties;*
- *oil and natural gas production levels;*
- *the size of the oil and natural gas reserves;*
- *projections of market prices and costs;*
- *supply and demand for oil and natural gas;*
- *expectations regarding the ability to raise capital and to continually add to reserves through acquisitions and development;*
- *treatment under governmental regulatory regimes and tax laws; and*
- *capital expenditures programs.*

The actual results could differ materially from those anticipated in these forward looking statements as a result of the risk factors set forth below and elsewhere in this Management's Discussion and Analysis:

- *volatility in market prices for oil and natural gas;*
- *liabilities inherent in oil and natural gas operations;*
- *uncertainties associated with estimating oil and natural gas reserves;*
- *competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel;*
- *incorrect assessments of the value of acquisitions;*
- *geological, technical, drilling and processing problems; and*
- *changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry.*

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, that 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 and the documents incorporated by reference herein are expressly qualified by this cautionary statement. Bengal does not undertake any obligation to publicly update or revise any forward-looking statements except as required by securities law.

Additional information can also be found in Bengal's Annual Information Form dated June 11, 2008 and available on SEDAR at www.sedar.com. The reader is cautioned that assumptions used in the preparation of such information, although considered reasonable by Bengal at the time of preparation, may prove to be incorrect.

HIGHLIGHTS

$000's except per share, volumes and netback amounts	Three Months Ended		
	06/30/08	**06/30/07**	**03/31/08**
Revenue			
Natural gas	**$ 761**	$ 251	$ 394
Natural gas liquids	**205**	84	89
Oil	**986**	292	776
Total	**1,952**	627	1,259
Royalties	**356**	83	192
% of revenue	**18.3**	13.3	15.3
Operating & transportation	**278**	104	194
Netback	**1,318**	440	873
Funds flow from operations:	**829**	(211)	(226)
Per share ($) (basic & diluted)	**0.05**	(0.01)	(0.01)
Net (loss):	**(351)**	(757)	(632)
Per share ($) (basic & diluted)	**(0.02)**	(0.05)	(0.04)
Capital expenditures	**$ 1,532**	$ 350	$ 575
Volumes			
Natural gas (mcf/d)	**734**	372	542
Natural gas liquids (boe/d)	**23**	17	13
Oil (bbl/d)	**73**	40	80
Total (boe/d @ 6:1)	**218**	119	184
Netback ($/boe)			
Revenue	**$ 98.23**	$ 58.05	$ 75.35
Royalties	**17.93**	7.70	11.50
Operating & transportation	**13.97**	9.62	11.60
Total	**$ 66.33**	$ 40.73	$ 52.25

RESULTS OF OPERATIONS

Production

The following table outlines Bengal's production volumes for the periods indicated:

Production	Three Months Ended		
	06/30/08	**06/30/07**	**03/31/08**
Natural Gas (mcf/d)	**734**	372	542
Oil (bbls/d)	**73**	40	80
NGLs (boe/d)	**23**	17	13
Total (boe/d)	**218**	119	184

For the three months ended June 30, 2008 (Q1-2009), total oil, natural gas and natural gas liquids (NGL's) production averaged 218 boe/d, an increase of 83% from the 119 boe/d produced in the comparable prior period of 2007 and an 18 % increase over Q4-2008 production of 184 boe/d. The increase is mainly due to the acquisition of two producing gas wells in Oak, British Columbia effective February 13, 2008. Production from Oak added 377 mcf/d and 7 bbl/d (70 boe/d) of gas and liquids volumes to Q1-2009 production.

Oil production - Toparoa-1 Australia

The increase in oil production in the quarter ended June 30, 2008 versus June 30, 2007 results from the well only producing 31 days due to upgrades to the Limestone Creek processing facility in the comparable period in 2007. The decrease from Q4- 2008 to Q1-2009 is a result of natural declines.

Pricing

Bengal markets its Kaybob, Alberta natural gas under one year contracts with pricing based on the AECO Daily Index (5A) less transport and fuel costs (approximately $0.10/mcf) and therefore Bengal expects its future realized gas prices to coincide with the AECO Daily Index price. Oak, British Columbia gas sales are marketed by the operator and the price received is based on the reference price at British Columbia's Station 2 plus $0.03 per mcf. Station 2 gas deliveries can come from natural gas produced in British Columbia, Alberta, or the Territories north of British Columbia. Since natural gas can be sourced from several producing regions, the liquidity at Station 2 can often be greater than at the Sumas hub, located on the British Columbia / Washington, USA border.

Bengal's realized price for its Australian oil production is based on the Tapis Crude benchmark price. Tapis is the main regional reference price for light sweet crude oils in South East Asia and is used as the reference price for Australian oil producers. Bengal's oil price is calculated using the Tapis reference price with the addition of approximately US $2.00/bbl premium for the quality of its oil. Tapis has been trading at a premium to West Texas Intermediate ("WTI") of between US $3.50 and US $10.00 /bbl over the past year; combined, Bengal's oil sees a premium over WTI of between $5.00 to $7.00 /bbl.

NGL's include condensate, pentane, butane and propane. While prices for condensate and pentane have a relatively strong correlation to oil prices, prices for butane and propane trade at varying discounts due to the market conditions of local supply and demand.

The following table outlines benchmark prices compared to Bengal's realized prices:

Prices and Marketing	**Three Months Ended**		
	06/30/08	**06/30/07**	**03/31/08**
Average Benchmark Prices			
AECO 30 day firm ($/mcf)	**$ 9.35**	$ 7.41	$ 7.12
TAPIS oil ($US/bbl)	**129.07**	74.89	101.97
Cdn/Aus exchange rate	**0.95**	0.98	0.91
WTI oil ($US/bbl)	**$ 124.00**	$ 65.02	$ 97.92
Bengal's Realized Price ($ CAD)			
Natural gas ($/mcf)	**$ 11.39**	$ 7.41	$ 7.99
Oil ($/bbl)	**147.77**	80.30	106.22
NGLs ($/bbl)	**99.43**	53.84	75.49
Total ($/boe)	**$ 98.23**	$ 58.05	$ 75.35

Petroleum and Natural Gas Sales

The following table outlines Bengal's production sales by category for the periods indicated below:

Petroleum and Natural Gas Sales ($000's)	**Three Months Ended**		
	06/30/08	**06/30/07**	**03/31/08**
Natural Gas	**$ 761**	$ 251	$ 394
Oil	**986**	292	776
NGLs	**205**	84	89
Total	**$ 1,952**	$ 627	$ 1,259

Revenues in Q1-2009 increased over the previous quarter and prior year comparable quarter due to higher oil and gas prices and the acquisition of two gas wells in Oak, British Columbia which added $198,000 to Q4-2008 revenue and $467,000 to Q1-2009 revenue.

Royalties

Royalty payments are made by oil and natural gas producers to the owners of the mineral rights on the leases. These owners include governments (Crown) and freehold landowners as well as other third parties that may receive contractual overriding royalties.

In Alberta, royalties on natural gas and NGL's are charged by the government based on an established monthly reference price. The reference price is meant to reflect the average price for natural gas and NGL's in Alberta. Gas cost allowance and custom processing credits reduce the effective royalty rate. Bengal's effective Crown royalty rate on Alberta production is 24.1% for the three months ended June 30, 2008 (8.5% Q1-2008). The increase in Crown royalty rates is due to higher gas prices resulting in higher royalty rates and lower gas cost allowance. Bengal also pays a 7.5% Gross Overriding Royalty ("GORR") to the landholder for two of its four Kaybob gas wells.

In British Columbia, royalties are calculated based on average daily production from a well multiplied by a reference price. The reference price is the greater of the Producer Price and the Posted Minimum Price. The Producer Price is determined monthly for each producer at each gas processing plant at which the producer has production for the month. The Ministry of Energy, Mines and Petroleum Resources calculates and publishes a Posted Minimum Price (PMP) each month for each processing plant. The royalty rate is reduced by a Producer Cost of Service (PCOS) allowance for the producers' field costs for gathering, dehydration and compression of the royalty share. Bengal's effective Crown royalty rate on British Columbia production is 20% for the three months ended June 30, 2008. Bengal also pays a 15% GORR to the landholder for its two Oak gas wells.

In Australia, oil royalties are based on a government-established rate of 11% of gross revenues after deducting an allowance for transportation and operating costs.

The increase in Bengal's royalties for the three months ended June 30, 2008 to $356,000 compared with $83,000 in the same period of the previous year is due to higher product prices, higher volumes and the addition of the 15% GORR on Oak gas production.

Royalties by Type ($000's)	**Three Months Ended**		
	06/30/08	**06/30/07**	**03/31/08**
Canada Crown	**$ 214**	$ 28	$ 93
Canada Gross overriding	**78**	10	41
Australian Government	**64**	45	58
Total	**$ 356**	$ 83	$ 192
$/boe	**17.93**	7.70	11.50
% of revenue	**18.3**	13.3	15.3

Royalties by Commodity	**Three Months Ended**		
	06/30/08	**06/30/07**	**03/31/08**
Natural Gas			
$000's	**$ 236**	$ 14	$ 99
$/mcf	**3.53**	0.40	2.01
% of revenue	**31.0**	5.4	25.1
Oil			
$000's	**$ 64**	$ 45	$ 58
$/bbl	**9.68**	12.36	8.00
% of revenue	**6.6**	15.4	7.5
NGLs			
$000's	**$ 56**	$ 24	$ 35
$/bbl	**27.16**	15.75	29.32
% of revenue	**27.3**	29.3	38.8

Operating & Transportation Expenses

Operating and transportation costs increased $174,000 to $278,000 in the three months ended June 30, 2008 from $104,000 in the comparable prior year period due to acquisition of two gas wells and an interest in a compressor station in Oak, B.C.

The increase in operating cost per boe is due to the relatively higher operating costs on the Oak B.C. gas production which include the Oak gas compressor station.

Transportation costs in Australia are incurred to get Bengal's oil production from the wellhead, to the Limestone Creek processing facility. From there the oil is pipelined to the Moomba facility which accepts production from 115 gas fields and 28 oil fields through approximately 5,600 kilometers of pipelines. The oil is then sent through a pipeline to Port Bonython, South Australia where it is held in storage tanks until being loaded on tankers.

Operating Expenses ($000's)	**Three Months Ended**		
	06/30/08	**06/30/07**	**03/31/08**
Australia			
Operating	**$ 10**	$ 10	$ 23
Transportation	**89**	46	94
	99	56	117
Canada – operating costs	**179**	48	77
Total	**$ 278**	$ 104	$ 194
Australia			
Operating - $/boe	**1.50**	2.75	3.18
Transportation - $/boe	**13.33**	12.67	12.92
Canada - $/boe	**13.52**	6.72	8.11
Total ($boe)	**$ 13.97**	$ 9.62	$ 11.60

General and Administration (G&A) Expenses

Gross G&A costs remained relatively constant in the quarter ended June 30, 2008 compared to the comparable period in the prior year and the previous quarter ended March 31, 2008.

In conjunction with the closing of the acquisition of Bengal Energy Inc. $839,000 of acquisition costs were recorded in the previous quarter in G&A, as severance obligations were paid to certain former officers who stepped down to make way for the new management team.

On a boe basis, G&A costs declined due to increased production from the acquired Oak, B.C. gas wells.

General and Administrative Expenses ($000's)	**Three Months Ended**		
	06/30/08	**06/30/07**	**03/31/08**
Gross G&A	**$ 556**	$ 558	$ 565
Acquisition-related G&A	**–**	–	839
Net G&A	**$ 558**	$ 558	$ 1,404
Net G&A ($/boe)	**$ 27.98**	$ 51.62	$ 84.02

Stock based compensation

The Company applies the fair value method for valuing stock option grants. Under this method, compensation costs attributable to all share options granted are measured at fair value at the grant date and expensed over the vesting period with a corresponding increase to contributed surplus.

Bengal recognized stock-based compensation expense of $120,000 for the three months ended June 30, 2008 compared to $144,000 in the comparable prior-year period.

In the three months ended June 30, 2008, no stock options were granted.

Depletion, Depreciation and Accretion (DD&A)

DD&A Expenses ($000's)	Three Months Ended		
	06/30/08	**06/30/07**	**03/31/08**
DD&A – Australia	**$ 738**	$ 281	$ 22
DD&A – Canada	**304**	109	234
Total	**$ 1,042**	$ 390	$ 256
$/boe – Australia	**110.47**	77.46	3.01
$/boe – Canada	**23.06**	15.12	24.87
$/boe – Total	**$ 52.44**	$ 35.95	$ 15.32

DD&A increased for the three months ended June 30, 2008 by $652,000, or $16.49 per boe, compared to the comparable prior year period due to higher production levels. DD&A per boe increased due to the addition of Subzero drilling costs to the depletable cost pool. DD&A per boe is lower in the quarter ended March 31, 2008 due to upward reserve revisions in the March 31, 2008 year-end reserve report.

Funds from Operations and Net Earnings

The following table summarizes the net earnings on a barrel of oil equivalent basis for the periods indicated.

($/boe)	Three Months Ended		
	06/30/08	**06/30/07**	**03/31/08**
Sales Price	**$ 98.23**	$ 58.00	$ 75.35
Royalties	**(17.93)**	(7.70)	(11.50)
Operating & transportation	**(13.97)**	(9.62)	(11.60)
Operating netback	**$ 66.33**	$ 40.68	$ 52.25
General and administration	**(27.98)**	(51.62)	(84.02)
Interest income	**3.50**	7.22	3.77
Realized foreign exchange gain (loss) and other	**(0.22)**	(15.82)	14.42
Funds flow netback	**$ 41.63**	$ (19.54)	$ (13.58)
Depletion, depreciation and accretion	**(52.44)**	(35.95)	(15.32)
Stock-based compensation	**(8.85)**	(13.32)	(9.27)
Unrealized foreign exchange gain (loss)	**2.02**	(1.20)	0.30
Net earnings (loss)	**$ (17.64)**	$ (70.01)	$ (37.87)

CAPITAL EXPENDITURES

During the quarter ended June 30, 2008 the Company drilled two wells: The Subzero gas prospect on Bengal's 35% owned PEL 113 Murturee block and the Cuisinier well which was the first well in the Santos Joint Venture program on Bengal's Wompi and Barta blocks. In addition Bengal has received the Seventh New Exploration Licensing Policy ("NELP VII") provisional award of the Cauvery Block in India. The Cauvery Block is a 946 square kilometre (233,761 acre) land block located in the Cauvery Basin, a Category 1 proven producing basin in southeast India. Bengal has a 30% interest in the Block.

Capital Expenditures ($000's)	Three Months Ended		
	06/30/08	**06/30/07**	**03/31/08**
Geological and geophysical	**$ 316**	$ 350	$ 19
Drilling	**1,200**	–	–
Completions	**(15)**	–	542
Total oil and gas additions	**1,501**	–	561
Office	**31**	–	14
Total expenditures	**$ 1,532**	$ 350	$ 575

SUBSEQUENT EVENT

Upon receipt of shareholder approval obtained at an Annual and Special Meeting (the "Meeting") of shareholders held on July 17, 2008, the Company effected a name change to Bengal Energy Ltd. ("Bengal") and a consolidation of its shares on a 5:1 basis.

All common share, stock option and warrant information presented in this MD&A is presented after the effect of the 5:1 share consolidation.

SHARE CAPITAL

The Company has an unlimited number of common shares authorized for issuance. On August 8, 2008 there are 18,212,783 common shares issued and outstanding on a post consolidation basis.

On February 13, 2008, the Company acquired all of the issued and outstanding common shares and common share purchase warrants of Bengal Energy Inc., a private oil and gas company, in exchange for 2,860,000 Bengal shares and 940,000 common share purchase warrants. Each Bengal warrant vests and is exercisable upon the 20-day weighted average trading price of the Bengal shares being $4.00 per share and upon vesting, shall entitle the holder to acquire one Bengal share at an exercise price of $2.00 until August 11, 2011.

On November 24, 2007, 1,680,000 share purchase warrants, with an exercise price of $2.50 expired.

At August 8, 2008, there are 1,127,373 employee stock options outstanding with an average exercise price of $2.90 of which 949,708 are vested. These options expire between 2008 and 2011 with an average remaining life of 2.9 years.

Share Information (000's) (prior periods adjusted for 5:1 consolidation)	**Three Months Ended**		
	06/30/08	**06/30/07**	**03/31/08**
Shares Outstanding			
Basic	18,213	15,338	18,198
Diluted	18,213	15,338	18,198
Weighted average shares outstanding			
Basic	18,209	15,338	15,714
Diluted	18,209	15,338	15,714

LIQUIDITY AND CAPITAL RESOURCES

The Company had working capital of $7.2 million at June 30, 2008 compared to working capital of $8.0 million at March 31, 2008. The Company's future capital expenditure plans are discussed below in the "Outlook" section. The Company invests surplus cash only in guaranteed investment certificates.

As the Company is in the early stages of exploration and development and although it is generating operating revenue, funding of most activities to date has been supplemented through the issuance of share capital and convertible debt. It is expected that further equity financings will be used to fund ongoing operations and the Company's projected capital program, supplemented by cash flow from operations, working capital and debt when the level of operations provide borrowing capacity.

Trading History	**Three Months Ended**		
	06/30/08	**06/30/07**	**03/31/08**
High	**0.58**	0.45	0.55
Low	**0.37**	0.32	0.26
Close	**0.50**	0.42	0.41
Volume (000's)	**7,790**	4,900	6,980

The above figures are presented on a pre-consolidated basis. On November 1, 2007, trading moved from the TSX Venture Exchange to the TSX. On July 21, 2008 Bengal Energy Ltd. began trading on the TSX under the symbol BNG.

RELATED PARTY TRANSACTIONS

There were no related party transactions during the quarter ended June 30, 2008 or in the prior year comparable period.

OFF BALANCE SHEET TRANSACTIONS

The Company does not have any off balance sheet transactions.

CONTRACTUAL ARRANGEMENTS

The Company is committed to minimum annual operating lease payments on its premises in Canada and Australia in the amount of $144,000 for the balance of the year ending March 31, 2009, $187,000 for the year ending March 31, 2010 and $40,000 from April to July, 2010.

The Company also has asset retirement obligations with respect to the abandonment and reclamation of wells and facilities owned by the Company. Bengal includes the present value of the estimated liabilities for such costs on its balance sheet. The total estimated undiscounted cost of these liabilities at June 30, 2008 was $271,000.

The Company has a flow-through share obligation to spend $82,000 on qualifying exploration and development expenditures by December 31, 2008.

Contractual Obligations ($000's)	**Total**	**Less than 1 Year**	**1-3 Years**	**4-5 Years**	**After 5 Years**
Office lease	$ 371	$ 191	$ 180	$ –	$ –
Flow-through share expenditures	82	82	–	–	–
Asset retirement obligations	152	20	–	–	132
Total Contractual Obligations	$ 605	$ 293	$ 180	$ –	$ 132

OUTLOOK

At the Annual and Special Meeting of shareholders held on July 17, 2008, the Company received approval for the name change of the Company from Avery Resources Inc. to Bengal Energy Ltd. ("Bengal"; "the Company") and consolidation of its shares on a 5:1 basis. This follows the Company's appointment of a new management team and purchase of Bengal Energy Inc. in February 2008.

The Company's broadened international oil and gas focus has been highlighted by its recent successful entry into the prospective hydrocarbon exploration arena in India. Bengal's wholly owned subsidiary, Bengal Energy International Inc., along with its two joint bidding partners, has received the Seventh New Exploration Licensing Policy ("NELP VII") provisional award of Block CY-ONN-2005/1 (the "Block"). The Block is a 946 square kilometer (233,761 acre) land block located in the Cauvery Basin, a proven producing basin in southeast India. Avery has a 30% interest in the Block. The operator of the Block, GAIL (India) Limited holds a 40% interest and Gujarat State Petroleum Corporation holds a 30% interest. The formal award of blocks by the Government of India and the signing of the Production Sharing Contract are expected in the fourth quarter, followed by the granting of Petroleum Exploration License ("PEL") from the state (i.e. provincial) government. The exploration period commences subsequent to the PEL grant, and exploration activities are projected to commence early in 2009 calendar year.

Total budgeted capital expenditures for the exploration of the Block over the seven-year exploration period are US$18.1 million, of which Bengal will be responsible for 30% (US$5.4 million). In the initial four year phase, Bengal and its partners intend to undertake 2,000 kilometers of airborne magnetometry (aeromag) survey, reprocess 1,000 kilometers of 2D seismic survey, shoot 500 square kilometers of 3D seismic survey and 75 square kilometers of high resolution 3D seismic survey on three key prospects identified to date, and drill three wells. A minimum of one well is planned in the final three year phase. On October 17, 2007, Bengal announced that it had signed a formal agreement with Santos Ltd. (Santos), a major Australian oil and gas explorer and producer, whereby Bengal and Santos would jointly explore and develop, subject to certain terms and conditions, two of Bengal's large land blocks – ATP 752P Barta and Wompi – in the Cooper Basin of Queensland, Australia, containing a total of 868,000 gross acres of exploration lands.

In the Barta Block, the first of the two wells planned for the first quarter of fiscal 2009, and the first well of the JV with Santos – Cuisinier-1 – was drilled and cased in May 2008. The well was suspended as a potential oil producer, with good oil shows and open hole logs indicating 6 meters of potential pay sands within a new zone for the area (Murta sandstone). The discovery of a new potential target zone for the area improves the overall exploration potential of Bengal's acreage. It is anticipated that Cuisinier-1 will be completed in the third quarter of calendar 2008 with onstream timing being impacted by the requirement to complete a 6 kilometer pipeline to the Cook Oilfield. The operator, Santos, expects the pipeline to be complete in the first half of calendar 2009. The second well in the Barta Block – Hudson-1 – has been plugged and abandoned.

The Subzero-1 well, drilled on the 13,100 acre Murteree sub-block of PEL-113 in the South Australian sector of the Cooper Basin (Bengal 35% Working Interest) operated by Stuart Petroleum Limited has been plugged and suspended. Based on well logs and pressure data two thick tight gas zones in the Patchawarra sands are believed to hold potential in the well. The operation as planned will enable a subsequent completion and stimulation attempt and/or the potential to sidetrack to a more optimally located structural position to fully evaluate the upside potential of this play.

In the ATP 752P Wompi Block, under the JV agreement with Santos, Santos will shoot 200 square kilometers 3D seismic and drill up to four wells, where the Company is carried by Santos for the 3D seismic and 3.45 wells (Bengal 30% working interest). Santos will be the operator in this block.

The Company holds a 10% interest in the offshore Timor Sea Permit AC/P 24, which the Company earned through the drilling of the oil discovery well Katandra-1 in December 2004. The Joint Venture has decided that an additional processing stage in required on the 3D seismic shot over Katandra prior to making a decision regarding the proposal of follow-up appraisal drilling.

Bengal (50% working interest) is the Operator of the Cooper Basin ATP 934P exploration block in Queensland, Australia– the other partners are Seoul City Gas (30%) and Mosaic Oil (20%). Bengal is working on clearing Native Title issues on this land, with a view to being awarded the ATP around the end of calendar year 2008. ATP 934P has an area of 361,260 acres (gross), is in the heart of the central Cooper Basin gas province and is surrounded by Permian gas fields, with more recent activities nearby having resulted in Jurassic and Cretaceous oil discoveries.

SELECTED QUARTERLY INFORMATION

Set out below is selected quarterly information for Bengal for the last eight quarters (on a pre-share consolidation basis).

(000's, except per share amounts)	Quarter Ended							
	6/30/08	**3/31/08**	**12/31/07**	**9/30/07**	**6/30/07**	**3/31/07**	**12/31/06**	**9/30/06**
Petroleum and Natural Gas Sales	**$ 1,952**	$ 1,259	$ 956	$ 732	$ 627	$ 914	$ 1,821	$ 232
Funds from Operations	**829**	(226)	165	79	(211)	(371)	1,314	969
Per Share- Basic and Diluted	**0.01**	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	0.02	0.02
Net Earnings (loss)	**$ (351)**	$ (632)	$(1,702)	$ (553)	$ (758)	$(3,666)	$(1,069)	$ 656
Per Share- Basic and Diluted	**(0.00)**	(0.01)	(0.02)	(0.01)	(0.01)	(0.05)	(0.02)	0.01
Additions to capital assets	**$ 1,532**	$ 575	$ (77)	$ 735	$ 350	$ 3,247	$ 1,790	$ 1,348
Working capital	**7,224**	8,043	8,142	7,900	8,556	9,117	12,546	3,832
Total Assets	**21,134**	20,410	15,327	16,967	16,839	18,086	21,167	12,393
Shares Outstanding								
Basic	**91,064**	90,989	76,689	76,689	76,689	76,689	76,226	56,194
Diluted	**91,047**	90,989	76,689	76,689	76,689	76,689	76,689	58,643
Operations								
Average daily production								
Natural gas (Mcf/d)	**734**	542	244	382	372	281	250	347
Oil and NGLs (bbls/d)	**96**	93	93	75	57	111	265	10
Combined (boe/d)	**218**	184	134	138	119	157	307	68
Netback ($/boe)	**$ 59.37**	$ 52.25	$ 57.24	$ 37.79	$ 40.73	$ 37.92	$ 46.70	$ 15.97

Prior to the quarter ended December 31, 2006, all of Bengal's production came from four gas wells in the Kaybob area of Alberta. In October, 2006 oil production from the discovery well Toparoa-1 in Australia commenced. As is typical of the Hutton sandstone the Toparoa well demonstrated high flush production rates initially and then declined aggressively until it gradually flattened out at around 250 gross (net 81) bbl/d. As a result of declining initial oil production from the Toparoa well, revenue and funds from operations declined during the next two quarters and has leveled off thereafter. Revenue increased in the quarter ended March 31, 2008 due to acquisition of two producing gas wells in Oak, British Columbia. This acquisition added approximately 70 boe/d to production and $467,000 to gross revenue in the quarter ended June 30, 2008.

Earnings for the quarter ended September 30, 2006 were higher due to a one-time production delay payment of $1.3 million related to the Toparoa-1 well. Overall, earnings have been negatively impacted by high depletion.

Losses for the quarters ended December 31, 2006 and 2007 and the quarter ended March 31, 2007 and 2008 were higher due to write-downs of oil and gas properties.

FINANCIAL INSTRUMENTS

Financial instruments comprise cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying amounts due to their short-term maturities. Bengal has not identified any embedded derivatives in any of its contracts.

DISCLOSURE AND INTERNAL CONTROLS PROCEDURES

Disclosure and internal control procedures have been designed to ensure that information required to be disclosed by Bengal is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure. Bengal's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of the end of the period covered by the interim filings, that the Company's disclosure controls and procedures are effective to provide reasonable assurance that material information related to Bengal, including its consolidated subsidiaries, is made known to them by others within those entities and the internal controls have been designed over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. It should be noted that while Bengal's Chief Executive Officer and Chief Financial Officer believe that the Company's disclosure and internal control procedures provide a reasonable level of assurance that they are effective, they do not expect that the disclosure and internal control procedures will prevent all errors and fraud. A 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 quarter, a new national instrument 52-109 was proposed that is expected to be effective for Bengal's 2009 fiscal year end. The proposed rule includes the certification of the operating effectiveness of internal controls over financial reporting ("ICFR"), requires the use of a control framework to design and evaluate internal controls, provides guidance on the documentation required to document, test and evaluate controls as well as gives clarification on the definition of a material weakness and the conclusions on disclosure controls and procedures when there is a material weakness in ICFR. Bengal will be compliant on the effective date.

There were no changes in the Company's internal controls or new weaknesses noted in controls in the quarter ended June 30, 2008 that have materially affected, or are reasonably likely to affect, the Company's internal controls over financial reporting.

APPLICATION OF CRITICAL ACCOUNTING ESTIMATES

The significant accounting policies used by Bengal are disclosed in Note 1 to the audited Consolidated Financial Statements for the years ended March 31, 2008 and 2007. Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management reviews its estimates on a regular basis. The emergence of new information and changed circumstance may result in actual results or changes to estimated amounts that differ materially from current estimates. A detailed discussion or the critical accounting policies and practices of the Company which helps to assess the likelihood of materially different results being reported is disclosed in the March 31, 2008 Annual Management Discussion and Analysis.

FINANCIAL REPORTING UPDATE

Accounting standards adopted

On April 1, 2007, the Company adopted three new accounting standards: Section 1535, Capital Disclosures, Section 3862, Financial Instruments — Disclosures and Section 3863, Financial Instruments – Presentation. Section 1535 requires disclosure of an entity's objectives, policies and processes for managing capital, including: quantitative data about what the entity's considers capital, whether the entity has complied with any capital requirements and the consequences of non-compliance if the entity has not complied. Sections 3862 and 3863 specify standards of presentation and enhanced disclosures on financial instruments. The adoption of these new standards did not impact the amounts reported in the Company's financial statements as they primarily related to disclosures.

Recent pronouncements

In February 2008, the Canadian Institute of Chartered Accountants ("CICA") Accounting Standards Board ("AcSB") confirmed the changeover to International Financial Reporting Standards ("IFRS") from Canadian Generally Accepted Accounting Principals ("GAAP") will be required for publicly accountable enterprises interim and annual financial statements effective for fiscal years beginning on or after January 1, 2011. The AcSB issued the "omnibus" exposure draft of IFRS with comments due by July 31, 2008, wherein early adoption by Canadian entities is also permitted. The Canadian Securities Administrators ("CSA") has also issued Concept Paper 52-402, which requested feedback on the early adoption of IFRS. The eventual changeover to IFRS represents a change due to new accounting standards. The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company's reported financial position and results of operations.

The International Accounting Standards Board ("IASB") has stated that it plans to issue an exposure draft relating to certain amendments and exemptions to IFRS 1 in order to make it more useful to Canadian entities adopting IFRS for the first time. One such exemption relating to full cost oil and gas accounting is expected to reduce the administration burden in the transition from the current Canadian Accounting Guideline 16 to potentially permit the Company to apply IFRS prospectively to their full cost pool, rather than the retrospective assessment of capitalized exploration and development expenses, with the proviso that a ceiling test, under IFRS standards, be conducted at the transition date.

Although the Company has not completed development of its IFRS changeover plan, when finalized it will include an analysis of key GAAP differences and a plan to assess accounting policies under IFRS as well as potential IFRS 1 exemptions.

RISK FACTORS

There are a number of risk factors facing Companies that participate in the International oil and gas industry. A summary of certain risk factors relating to our business are provided in the Risk Factors Section of our Annual Information Form on SEDAR at www.sedar.com.

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., 1100, 715 5th Ave S.W., Calgary, Alberta T2P 2X6 or by email to info@Bengalenergy.ca or by accessing Bengal's website at www.Bengalenergy.ca.

Bengal Energy Ltd.

(Formerly Avery Resources Inc.)

International exploration & production

Consolidated Financial Statements

Three Months Ended June 30, 2008 and 2007

BENGAL ENERGY LTD.

(Formerly Avery Resources Inc. – see subsequent event Note 10)

CONSOLIDATED BALANCE SHEETS

(thousands of dollars) (unaudited)

As at	June 30, 2008	March 31, 2008
ASSETS		
Current assets		
Cash and short term deposits	$ 7,004	$ 7,852
Accounts receivable and prepaid expenses	2,704	1,625
	9,708	9,477
Petroleum and natural gas properties (Note 4)	9,787	9,294
Goodwill (Note 5)	1,777	1,639
	$ 21,272	$ 20,410
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 2,484	$ 1,434
Asset retirement obligations (Note 6)	152	180
Non-controlling interest	2	9
Shareholders' equity:		
Share capital (Note 7)	43,460	43,438
Warrants (Note 7)	87	31
Contributed surplus (Note 7)	3,461	3,341
Deficit	(28,374)	(28,023)
	18,634	18,787
Commitment (Note 10)		
	$ 21,272	$ 20,410

See accompanying notes to consolidated financial statements.

BENGAL ENERGY LTD.

(Formerly Avery Resources Inc. – see subsequent event Note 10)

CONSOLIDATED STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT

(thousands of dollars, except per share amounts) (unaudited)

Three months ended June 30,		**2008**		**2007**
Revenues				
Petroleum and natural gas sales	$	1,952	$	627
Royalties		(356)		(83)
Interest income		70		78
		1,666		622
Expenses				
General and administrative		556		558
Operating and transportation		278		104
Depletion, depreciation and accretion		1,042		390
Stock and warrant based compensation		176		144
Foreign exchange (gain) loss		(28)		199
		2,024		1,395
Loss before non-controlling interest		(358)		(773)
Non-controlling interest		7		15
Loss and comprehensive loss		(351)		(758)
Deficit, beginning of year		(28,023)		(24,378)
Deficit, end of year	$	(28,374)	$	(25,136)
Weighted average number of shares outstanding (000's) (Note 7)		18,209		15,338
Basic and diluted loss per share (Note 7)	$	(0.02)	$	(0.04)

See accompanying notes to consolidated financial statements.

BENGAL ENERGY LTD.

(Formerly Avery Resources Inc. – see subsequent event Note 10)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(thousands of dollars) (unaudited)

Three months ended June 30,	**2008**	**2007**
Cash provided by (used in)		
Operations		
Loss for the year	$ (351)	$ (758)
Items not affecting cash		
Depletion, depreciation and accretion	1,042	390
Unrealized foreign exchange loss (gain)	(7)	13
Abandonment expenditures	(31)	–
Stock and warrant based compensation	176	144
	829	(211)
Changes in non-cash working capital (Note 9)	(222)	132
	607	(79)
Financing		
Issue of common shares for cash, net of share issue costs	–	–
Exercise of stock options	22	–
Changes in non-cash working capital (Note 9)	(236)	(77)
	(214)	(77)
Investments		
Additions to petroleum and natural gas properties and facilities	(1,532)	(350)
Changes in non-cash working capital (Note 9)	291	(64)
	(1,241)	(414)
Increase (decrease) in cash	(848)	(570)
Cash and short term deposits, beginning of year	7,852	8,339
Cash and short term deposits, end of year	$ 7,004	$ 7,769

	2008	**2007**
Interest received	$ 37	$ 25
Cash taxes paid	$ 14	$ –

See accompanying notes to consolidated financial statements.

These financial statements have been approved by Bengal's board of directors but have not been reviewed by the Company's auditors.

1. INCORPORATION:

Bengal Energy Ltd (the "Company" or "Bengal") (formerly Avery Resources Inc. – see subsequent event Note 10) is incorporated under the laws of the Province of Alberta and is involved in the exploration for and development of oil and gas reserves in Canada, Australia, India and Ireland.

2. SIGNIFICANT ACCOUNTING POLICES:

The consolidated financial statements of Bengal have been prepared by management in accordance with accounting principles generally accepted in Canada. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

The consolidated financial statements include the accounts of the Company and its wholly-owned and majority owned subsidiaries.

These Interim unaudited consolidated financial statements have been prepared by management following the same accounting policies and methods that were used and disclosed in the audited financial statements for the year ended March 31, 2008, supplemented as disclosed below. The disclosures provided below are incremental to those included with the annual audited consolidated financial statements. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto for the year ended March 31, 2008.

3. CHANGES IN ACCOUNTING POLICY

Effective April 1, 2008, the Company adopted three new accounting standards: Section 1535, Capital Disclosures, Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation. Section 1535, requires disclosure of objectives, policies and processes for managing capital, including: quantitative data about the components of capital, whether the Company has complied with any capital requirements and the consequences of non-compliance if the Company has not complied. Sections 3862 and 3863 specify standards of presentation and enhanced disclosures on financial instruments. The adoption of these policies did not impact the measurement of the amounts reported in the Company's financial statements as they primarily relate to disclosures.

FUTURE ACCOUNTING CHANGES

In February 2008, the Canadian Institute of Chartered Accountants ("CICA") Accounting Standards Board ("AcSB") confirmed the changeover to International Financial Reporting Standards ("IFRS") from Canadian Generally Accepted Accounting Principals ("GAAP") will be required for publicly accountable enterprises interim and annual financial statements effective for fiscal years beginning on or after January 1, 2011. The AcSB issued the "omnibus" exposure draft of IFRS with comments due by July 31, 2008, wherein early adoption by Canadian entities is also permitted. The Canadian Securities Administrators ("CSA") has also issued Concept Paper 52-402, which requested feedback on the early adoption of IFRS. The eventual changeover to IFRS represents a change due to new accounting standards. The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company's reported financial position and results of operations.

The International Accounting Standards Board ("IASB") has stated that it plans to issue an exposure draft relating to certain amendments and exemptions to IFRS 1 in order to make it more useful to Canadian entities adopting IFRS for the first time. One such exemption relating to full cost oil and gas accounting is expected to reduce the administration burden in the transition from the current Canadian Accounting Guideline 16 to potentially permit the Company to apply IFRS prospectively to their full cost pool, rather than the retrospective assessment of capitalized exploration and development expenses, with the proviso that a ceiling test, under IFRS standards, be conducted at the transition date.

Although the Company has not completed development of its IFRS changeover plan, when finalized it will include an analysis of key GAAP differences and a plan to assess accounting policies under IFRS as well as potential IFRS 1 exemptions. The Company anticipates completing its development and changeover plan by the third quarter of calendar 2009.

4. PETROLEUM AND NATURAL GAS PROPERTIES

($000's)	Cost	Accumulated depletion & depreciation	Net book value
June 30, 2008			
Australia			
Petroleum and natural gas properties	$ 14,106	$ 9,894	$ 4,212
Other assets	107	52	55
Canada			
Petroleum and natural gas properties	6,243	1,405	4,838
Other assets	331	216	115
Other			
Petroleum and natural gas properties	567	–	567
	$ 21,354	$ 11,567	$ 9,787
March 31, 2008			
Australia			
Petroleum and natural gas properties	$ 12,913	$ 9,164	$ 3,749
Other assets	107	45	62
Canada			
Petroleum and natural gas properties	6,214	1,122	5,092
Other assets	300	207	93
Other			
Petroleum and natural gas properties	298	–	298
	$ 19,832	$ 10,538	$ 9,294

Undeveloped property costs of $3.8 million (2007 - $3.6 million) have been excluded from the depletion calculation. No future development costs of proven reserves are included in the depletion calculation.

5. ACQUISITION

On February 13, 2008 Bengal Energy Ltd. (formerly Avery Resources Inc.) acquired all the issued and outstanding shares of Bengal Energy Inc. The purchase price recorded in Bengal's March 31, 2008 year end financial statements was based on estimates made by management using the information available at that time. An amendment has been recorded in the current period due to updates to those estimates. The result of the amendment is the working capital and goodwill in the purchase equation have been adjusted by $138,000.

6. ASSET RETIREMENT OBLIGATIONS

The Company's asset retirement obligations result from ownership interests in petroleum and natural gas assets. The Company estimates the total undiscounted amount of cash flow required to settle its asset retirement obligations at June 30, 2008 is approximately $271,000 (March 31, 2008 - $302,000) which will be incurred between 2009 and 2028 with a significant majority of the costs being incurred after 2010. An inflation factor of 2% has been applied to the estimated asset retirement cost at June 30, 2008 and March 31, 2008. A credit-adjusted risk-free rate of 7.0% was used to calculate the fair value of the asset retirement obligation at June 30, 2008 and March 31, 2008.

A reconciliation of the asset retirement obligations is provided below:

($000's)	**Three months ended June, 2008**	**Year ended March 31, 2008**
Balance, beginning of period	$ 180	$ 85
Revisions	–	(20)
Liabilities settled	(31)	–
Liabilities acquired	–	107
Accretion expense	3	8
Balance, end of period	$ 152	$ 180

7. SHARE CAPITAL

(a) Authorized:

Unlimited number of common shares

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

(b) Issued:

($000's)	Number of shares	Amount
Balance March 31, 2007	**76,688,934**	**$ 38,507**
Issued on acquisitions	14,300,002	4,931
Balance March 31, 2008	**90,988,936**	**$ 43,438**
Issued on exercise of stock options	75,000	22
Balance June 30, 2008	**91,063,936**	**$ 43,460**

On February 13, 2008 Bengal acquired all the issued and outstanding common shares and common share purchase warrants of Bengal Energy Inc. in exchange for 14,300,002 Bengal shares and 4,700,000 common share purchase warrants.

Of the 14,300,002 Bengal common shares issued to Bengal shareholders, 7,930,003 were issued to Bengal shareholders who became the new management at Bengal Energy Ltd. The shares received by the new Bengal management team have been put in voluntary escrow whereby one-third of the shares will be released six months from the closing date, one-half of the remaining escrowed shares on the date that is twelve months from the closing date and all the remaining escrowed shares (that is one-third) on a date that is eighteen months from the closing date.

(c) Stock consolidation:

On July 17, 2008, the Company's shareholders approved the consolidation of the Company's shares on a 5:1 basis, effective on the close of business July 21, 2008. The effect of the one-for-five consolidation will be to reduce to one-fifth the number of Common Shares, Warrants and stock options outstanding as of the close of business on July 21, 2008. In addition the weighted average exercise prices and fair value per option and warrant will be adjusted to one-fifth of the pre-consolidation prices. In accordance with Canadian GAAP, both the weighted average number of shares outstanding and the earnings per share for both the three months ended June 30, 2008 and 2007 have been presented as if the one-for-five consolidation had been in effect as of April 30, 2008 and 2007, respectively. All other information included in these financial statements is calculated and presented prior to the one-for-five consolidation.

(d) Common share purchase warrants:

On February 13, 2008 Bengal issued 4,700,000 common share purchase warrants in exchange for 1,807,692 Bengal Energy Inc. common share purchase warrants as part of the acquisition of Bengal Energy Inc. Each Bengal warrant vests and is exercisable upon the 20-day weighted average trading price of the Bengal shares being $0.80 per share and upon vesting shall entitle the holder to acquire one Bengal share at an exercise price of $0.40 until August 13, 2011.

The fair value of warrants issued on February 13, 2008 was estimated to be $0.7 million using the Black-Scholes option-pricing model and will be recorded in warrant capital and compensation expense over the 42 month life of the warrants.

On November 24, 2007, 8,400,000 share purchase warrants with an exercise price of $0.50 expired.

During the year ended March 31, 2007 a total of 2,765,356 common share purchase warrants were exercised at an average price of $0.55 for total proceeds of $1.5 million.

During the year ended March 31, 2007 all remaining agent's options were exercised for $0.2 million.

The table below provides details of common share purchase warrant activity:

($000's)	Number of warrants	Amount
Balance March 31, 2007	**8,400,000**	**$ 927**
Expired	(8,400,000)	(927)
Issued for Bengal Acquisition	4,700,000	31
Balance March 31, 2008	**4,700,000**	**$ 31**
Amortization of warrant fair value	–	56
Balance June 30, 2008	**4,700,000**	**$ 87**

(d) Contributed surplus

A reconciliation of contributed surplus is provided below:

($000's)	Three months ended June 30, 2008	Year ended March 31, 2008
Balance, beginning of period	**$ 3,341**	**$ 1,881**
Stock-based compensation expense	120	533
Transfer from warrants on expiry of warrants	–	927
Balance, end of period	**$ 3,461**	**$ 3,341**

(e) Stock options:

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

A summary of stock option activity is presented below:

	Options	Weighted average exercise price
Outstanding at March 31, 2007	**5,191,867**	**$ 0.60**
Granted	520,000	0.32
Outstanding at March 31, 2008	**5,711,867**	**$ 0.58**
Exercised	(75,000)	0.30
Outstanding at June 30, 2008	**5,636,867**	**$ 0.58**
Exercisable at June 30, 2008	4,748,540	$ 0.59

Bengal has not incorporated an estimated forfeiture rate for stock options that will not vest, rather the Company accounts for actual forfeitures as they occur.

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

	Three months ended June 30, 2008	Year ended March 31, 2008
Assumptions:		
Risk free interest rate (%)	–	4.1%
Expected life (years)	–	5 yr
Expected volatility (%)	–	60%
Vesting period (years)	–	2 yr
Results:		
Weighted average fair value of options granted	$ –	$ 0.18

The fair value of stock options granted during the year ended March 31, 2008 was estimated to be $0.1 million. No stock options were granted in the three months ended June 30, 2008.

(f) Per share amounts:

Per share amounts are calculated using losses and the weighted-average number of common shares outstanding. The Company has recorded a loss in each of the last two years and therefore any addition to basic shares outstanding is anti-dilutive. The weighted average number of shares outstanding at June 30, 2008 is 91,046,628 (2007 – 76,688,935).

8. FINANCIAL RISK MANAGEMENT

The Company has exposure to credit, liquidity and market risk from its use of financial instruments. This note presents information about the Company's exposure to these risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

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

(a) Fair value of financial instruments:

Financial instruments comprise cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying amounts due to their short-term maturities.

(b) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from Bengal's cash calls paid to joint venture partners in Australia and receivables from petroleum and natural gas marketers. As at June 30, 2008 Bengals receivables consisted of $1.0 million (2007 - $0.4 million) from joint venture partners, $1.4 million (2007 - $0.5 million) of receivables from petroleum and natural gas marketers and $0.3 million (2007 - $0.3 million) of other trade receivables.

In Canada receivables from petroleum and natural gas marketers are normally collected on the 25th day of the month following production. Bengal markets its Kaybob gas production through Nexen and the Kaybob liquids production through Provident. Oak production is marketed by the operator. Bengal has contracts with Nexen and Provident and has not experienced any collection issues with them or with the operator of the Oak wells.

In Australia production is purchased by a consortium led by Santos Pty., the operator of Bengal's production. Bengal has a Crude Oil Purchase Agreement with Santos.

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

At June 30, 2008, the Company had no receivables that were considered past due.

Cash and cash equivalents, when held, consist of cash bank balances and guaranteed investment certificates redeemable at any time. Bengal manages the credit exposure related to guaranteed investments by selecting counterparties based on credit ratings and monitors all investments to ensure a stable return, avoiding complex investment vehicles with higher risk such as asset backed commercial paper.

Bengal establishes an allowance for doubtful accounts as determined by management based on their assessment of collection therefore the carrying amount of accounts receivable and cash and cash equivalents represents the maximum credit exposure. Bengal does not have an allowance for doubtful accounts as at June 30, 2008 and did not provide for any doubtful accounts nor was it required to write-off any receivables during the year ended March 31, 2008 or the three months ended June 30, 2008.

(c) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations 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 accounts payable and accrued liabilities and amounted to $ 2.5 million at June 30, 2008. Bengal has $7.0 million in cash and a net working capital surplus of $7.2 million at June 30, 2008.

As the Company is in the early stages of exploration and development and although it is generating operating revenue, funding of most activities to date has been supplemented through the issuance of share capital and convertible debt. It is expected that further equity financings will be used to fund ongoing operations and the Company's projected capital program, supplemented by cash flow from operations, working capital and debt when the level of operations provide borrowing capacity.

(d) Market risk:

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

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. Bengal receives Canadian dollars for sales in Canada and U.S. dollars for Australian oil sales. Having sales denominated in two currencies spreads the impact of individual currency fluctuations. The Company had no forward exchange rate contracts in place as at June 30, 2008 and March 31, 2008.

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of a change in commodity prices. Commodity prices for petroleum and natural gas are impacted by not only the relationship between Canadian and United States dollar, as outlined above, but also world economic events that dictate the levels of supply and demand. Australian oil prices are based on the Tapis reference price which tracks WTI but is also affected by refinery capacity in South East Asia and the US. There were no financial instruments in place to manage commodity prices during the periods ended June 30, 2008 and March 31, 2008.

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk on its cash and cash equivalents that have a floating interest rate. If interest rates had been 100 basis points lower for the three months ended June 30, 2008, net income and cash flow would have decreased by $11,000. The Company had no interest rate swaps or hedges at June 30, 2008 and March 31, 2008.

(e) Capital markets:

The Company's policy is to maintain a strong capital base for the objectives of maintaining financial flexibility which will allow it to execute on its capital investment program, provide creditor and market confidence and to sustain in future development of the business.

The Company manages its capital structure and makes adjustments by continually monitoring its business conditions, including: changes in economic conditions, the risk profile of its drilling inventory, the efficiencies of past investments, the efficiencies of forecasted investments and the timing of such investments, the forecasted cash balances, the forecasted commodity prices and resulting cashflow. The Company currently has no debt.

In order to maintain or adjust the capital structure, the Company may from time to time issue shares, if available on favorable terms, sell assets and adjust its capital spending to manage current and projected cash levels. The Company presently does not have a credit facility in place but based on project viability may arrange separate project financing.

Bengal's share capital is not subject to external restrictions and the Company has not paid or declared any dividends since the date of incorporation nor does it expect to.

9. CHANGES IN NON-CASH WORKING CAPITAL

Three months ended June 30 ($000's)		2008		2007
Accounts receivable and prepaid expenses	$	(1,079)	$	640
Accounts payable and accrued liabilities		912		(649)
Total	$	(167)	$	(9)
Relating to:				
Operating	$	(222)	$	132
Financing		(236)		(77)
Investing		291		(64)
Total	$	(167)	$	(9)

The change in working capital includes adjustments resulting from the Bengal Energy Inc. acquisition on February 13, 2008 (see Note 5).

10. COMMITMENT

At June 30, 2008 the Company had the following lease commitment for office space in Canada and Australia:

Years ended March 31		
2009	$	144
2010		187
2010 – April to July		40
	$	371

The Company acquired a flow-through share spending commitment as part of the Bengal Energy Inc. acquisition on February 13, 2008. The acquired company renounced $1.0 million of qualifying oil and natural gas expenditures effective December 31, 2007 pursuant to a flow-through share offering. At June 30, 2008 Bengal is committed to spend a further $0.1 million to fulfill the qualifying expenditure requirement by December 31, 2008.

11. SUBSEQUENT EVENT

Upon receipt of shareholder approval obtained at an Annual and Special Meeting (the "Meeting") of shareholders held on July 17, 2008, the Company effected a name change to Bengal Energy Ltd. ("Bengal") and a consolidation of its shares on a 5:1 basis.

In accordance with Canadian GAAP, both the weighted average number of shares outstanding and the earnings per share for both the three months ended June 30, 2008 and 2007 have been presented as if the one-for-five consolidation had been in effect as of April 30, 2008 and 2007, respectively. All other information included in these financial statements is calculated and presented prior to the one-for-five consolidation.

12. SEGMENTED INFORMATION

Three months ended June 30, 2008 ($000's)	Australia	Canada	Other	Total
Revenue, net of royalties	$ 922	$ 674	$ –	$ 1,596
Loss for period	(140)	(211)	–	$ (351)
Petroleum and natural gas properties				
Cost	$ 14,213	$ 6,574	$ 567	$ 21,354
Accumulated depletion, depreciation and amortization	(9,946)	(1,621)	–	(11,567)
Net Book Value	$ 4,267	$ 4,953	$ 567	$ 9,787
Petroleum and natural gas property expenditures	$ 1,193	$ 70	$ 269	$ 1,532
Goodwill	$ –	$ 1,777	$ –	$ 1,777

Three months ended June 30, 2007 ($000's)	Australia	Canada	Other	Total
Revenue, net of royalties	$ 247	$ 255	$ –	$ 502
Loss for period	(691)	(225)	$ –	$ (916)
Petroleum and natural gas properties				
Cost	$ 12,469	$ 3,144	$ 294	$ 15,907
Accumulated depletion, depreciation and amortization	(7,249)	(902)	–	(8,151)
Net Book Value	$ 5,220	$ 2,242	$ 294	$ 7,756
Petroleum and natural gas property expenditures	$ 350	$ –	$ –	$ 350
Goodwill	$ –	$ –	$ –	$ –

CORPORATE INFORMATION

AUDITORS
KPMG LLP • Calgary, Canada

LEGAL COUNSEL
Borden Ladner Gervais • Calgary, Canada

BANKERS
Royal Bank of Canada • Calgary, Canada
West Pac Bank • Brisbane, Australia
Commonwealth Bank • Brisbane, Australia

REGISTRAR AND TRANSFER AGENT
Valiant Trust Corporation • Calgary, Canada

INVESTOR RELATIONS
Bryan Mills Iradesso • Calgary, Canada

DIRECTORS
Chayan Chakrabarty
Richard N. Edgar
James B. Howe
Bradley G. Johnson
Ted Hanbury
Judith A. Stripling
Ian J. Towers

GOVERNANCE AND DISCLOSURE COMMITTEE
All Directors are members of the Committee

AUDIT COMMITTEE
James B. Howe
Ian J. Towers
Judith A. Stripling

RESERVES COMMITTEE
Ian J. Towers
Richard N. Edgar
Ted Hanbury

COMPENSATION COMMITTEE
Ted Hanbury
Richard Edgar
Ian J. Towers
Judith A. Stripling

OFFICERS
Bradley Johnson, Chief Executive Officer
Chayan Chakrabarty, President
James Mott, Vice President, Exploration
Bryan C. Goudie, Chief Financial Officer
Melinda Park, Secretary

STOCK EXCHANGE LISTING
TSX: BNG