



(Formerly Avery Resources Inc.)

International exploration & production

Management's Discussion & Analysis

Three and Six Months Ended September 30, 2008 and 2007

These Financial Statements have been reviewed by the Company's auditors. The comparative prior periods have not been reviewed by the Company's auditors.

MANAGEMENT'S DISCUSSION AND ANALYSIS – November 14, 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 and six months ended September 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.

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 (Q2-2009) and six months (YTD-2009) ended September 30, 2008 to the three (Q2-2008) and six months (YTD-2008) ended September 30, 2007 and the results of the three months ended June 30, 2008 ("Q1-2009").*

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:

\$000's	Three Months Ended			Six Months Ended	
	09/30/08	09/30/07	06/30/08	09/30/08	09/30/07
Cash provided by (used in) operations	1,142	139	607	1,768	61
Changes in non-cash working capital	(775)	(60)	222	(554)	(193)
Funds flow from operations	367	79	829	1,214	(132)

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			Six Months Ended	
	09/30/08	09/30/07	06/30/08	09/30/08	09/30/07
Revenue					
Natural gas	\$ 476	\$ 190	\$ 761	\$ 1,237	\$ 441
Natural gas liquids	138	95	205	343	179
Oil	868	447	986	1,854	739
Total	1,482	732	1,952	3,434	1,359
Royalties	258	105	356	614	188
% of revenue	17.4	14.3	18.3	17.9	13.8
Operating & transportation	372	147	278	650	251
Netback	852	480	1,318	2,170	920
Funds flow from operations:	367	79	829	1,214	(132)
Per share (\$) (basic & diluted)	0.02	(0.00)	0.05	0.07	(0.00)
Net (loss):	(812)	(553)	(351)	(1,163)	(1,311)
Per share (\$) (basic & diluted)	(0.04)	(0.01)	(0.02)	(0.06)	(0.02)
Capital expenditures	\$ 3,823	\$ 735	\$ 1,532	\$ 5,374	\$ 1,085
Volumes					
Natural gas (mcf/d)	609	382	734	672	377
Natural gas liquids (boe/d)	15	17	23	19	17
Oil (bbl/d)	69	58	73	71	49
Total (boe/d @ 6:1)	186	138	218	202	129
Netback (\$/boe)					
Revenue	\$ 86.53	\$ 57.59	\$ 98.23	\$ 92.81	\$ 57.71
Royalties	15.05	8.24	17.93	16.60	7.98
Operating & transportation	21.73	11.56	13.97	17.56	10.67
Total	\$ 49.75	\$ 37.79	\$ 66.33	\$ 58.65	\$ 39.06

RESULTS OF OPERATIONS

Production

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

Production	Three Months Ended			Six Months Ended	
	09/30/08	09/30/07	06/30/08	09/30/08	09/30/07
Natural Gas (mcf/d)	609	382	734	672	377
NGLs (boe/d)	15	17	23	19	17
Oil (bbls/d)	69	58	73	71	49
Total (boe/d)	186	138	218	202	129

Natural gas and natural gas liquids production - Canada

For the three months ended September 30, 2008 ("Q2-2009"), total oil, natural gas and natural gas liquids (NGL's) production averaged 186 boe/d, an increase of 35% from the 138 boe/d produced in the comparable period of 2007 and a 15% decrease from Q1-2009 production of 218 boe/d. The increase over the prior year period is mainly due to the acquisition of two producing gas wells in Oak, British Columbia effective February 13, 2008. The decline from the quarter ended June 30, 2008 is due to a turnaround at the Oak processing facility that required shut in of the Oak wells for part of June and July. Upon start-up of the wells after the turnaround, production from the Halfway zone of the Oak 5-30 well was initially minimal and after a workover has since resumed producing at about half of the pre-turnaround levels (a decline of 20 to 25 boe/d). It is expected that the Halfway production will remain at these reduced post turnaround levels.

YTD-2009 natural gas and natural gas liquids production increased over YTD-2008 due to the acquisition of two Oak British Columbia gas wells.

Oil production - Toparoa-1 Australia

The increase in oil production in the quarter and six months ended September 30, 2008 versus the comparable periods of 2007 results from the well being shut in for 21 days in the prior period quarter and 80 days in the prior period six months ending September 30, 2007 due to upgrades to the Limestone Creek processing facility. The decrease from Q1-2009 to Q2-2009 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 \$1.00 and US \$10.00 /bbl over the past year.

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			Six Months Ended	
	09/30/08	09/30/07	06/30/08	09/30/08	09/30/07
Average Benchmark Prices					
AECO 30 day firm (\$/mcf)	\$ 9.26	\$ 5.61	\$ 9.35	\$ 9.30	\$ 6.48
TAPIS oil (\$US/bbl)	124.29	79.01	129.07	126.67	76.96
Cdn/Aus exchange rate	0.93	0.88	0.95	0.94	0.90
WTI oil (\$US/bbl)	\$ 118.13	\$ 75.33	\$ 124.00	\$ 121.05	\$ 70.20
Bengal's Realized Price (\$ CAD)					
Natural gas (\$/mcf)	\$ 8.48	\$ 5.40	\$ 11.39	\$ 10.06	\$ 6.39
Oil (\$/bbl)	136.22	84.39	147.77	142.13	82.73
NGLs (\$/bbl)	98.08	61.00	99.43	98.88	57.42
Total (\$/boe)	\$ 86.53	\$ 57.59	\$ 98.23	\$ 92.81	\$ 57.71

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			Six Months Ended	
	09/30/08	09/30/07	06/30/08	09/30/08	09/30/07
Natural Gas	\$ 476	\$ 190	\$ 761	\$ 1,237	\$ 441
NGLs	138	95	205	343	179
Oil	868	447	986	1,854	739
Total	\$ 1,482	\$ 732	\$ 1,952	\$ 3,434	\$ 1,359

Revenues in Q2-2009 increased over the prior year comparable quarter due to higher oil and gas prices and the acquisition of two gas wells in Oak, British Columbia which added \$233,000 to Q2-2009 revenue and \$467,000 to Q1-2009 revenue. The decline in Q2-2009 revenue from the prior quarter Q1-2009 is mainly due to lower gas production and lower realized oil and gas prices.

Revenue YTD-2009 compared to YTD-2008 is higher due to significantly higher commodity prices and increased production volumes due to the acquisition of two gas well on February 13, 2008 in Oak, British Columbia.

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, Crown 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. The increase in Crown royalty rates YTD-2009 from YTD-2008 is due to higher period over period gas prices. Bengal also pays a 7.5% Gross Overriding Royalty ("GORR") to the landholder for two of its four Kaybob gas wells.

In British Columbia, Crown 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 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 September 30, 2008 to \$258,000 compared with \$105,000 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. The increase from YTD-2008 to YTD-2009 is also due to higher product prices, higher volumes and the addition of the Oak GORR.

The decline in royalties from Q1-2009 to Q2-2009 is due to lower product prices and production.

Royalties by Type (\$000's)	Three Months Ended			Six Months Ended	
	09/30/08	09/30/07	06/30/08	09/30/08	09/30/07
Canada Crown	\$ 112	\$ 77	\$ 214	\$ 326	\$ 106
Canada Gross overriding	47	9	78	125	19
Australian Government	99	19	64	163	63
Total	\$ 258	\$ 105	\$ 356	\$ 614	\$ 188
\$/boe	15.05	8.24	17.93	16.60	7.98
% of revenue	17.4	14.3	18.3	17.9	13.8

Royalties by Commodity	Three Months Ended			Six Months Ended	
	09/30/08	09/30/07	06/30/08	09/30/08	09/30/07
Natural Gas					
\$000's	\$ 112	\$ 54	\$ 236	\$ 348	\$ 68
\$/mcf	1.99	1.54	3.53	2.83	0.98
% of revenue	23.5	28.4	31.0	28.1	15.3
Oil					
\$000's	\$ 99	\$ 19	\$ 64	\$ 163	\$ 63
\$/bbl	15.48	3.46	9.68	12.52	7.09
% of revenue	11.4	4.1	6.6	8.8	8.6
NGLs					
\$000's	\$ 47	\$ 32	\$ 56	\$ 103	\$ 57
\$/bbl	33.47	20.77	27.16	29.73	18.25
% of revenue	34.1	34.0	27.3	30.1	31.8

Operating & Transportation Expenses

Operating and transportation costs increased to \$650,000 in the six months ended September 30, 2008 from \$251,000 in the comparable prior year period due to acquisition of two gas wells and an interest in a compressor station in Oak, B.C. and higher Australian production volumes.

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. Also, higher boe costs were the result of workovers conducted on the two Oak gas wells after they were shut in for a plant turnaround in June, 2008. The wells did not come back on production at the same levels as before they were shut-in and therefore service rig costs were incurred to workover and swab the wells. The workovers met with limited success.

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			Six Months Ended	
	09/30/08	09/30/07	06/30/08	09/30/08	09/30/07
Australia					
Operating	\$ 36	\$ 15	\$ 10	\$ 46	\$ 25
Transportation	83	62	89	172	108
	119	77	99	218	133
Canada – operating costs	253	70	179	432	118
Total	\$ 372	\$ 147	\$ 278	\$ 650	\$ 251
Australia					
Operating - \$/boe	5.70	2.83	1.50	3.51	2.80
Transportation - \$/boe	13.19	11.70	13.33	13.32	12.08
Canada - \$/boe	23.58	9.41	13.52	18.04	8.07
Total (\$/boe)	\$ 21.73	\$ 11.56	\$ 13.97	\$ 17.56	\$ 10.67

General and Administration (G&A) Expenses

Gross G&A costs increased \$64,000 or 12% in the quarter ended September 30, 2008 compared to the same period in the prior year and \$59,000 or 11% compared to the previous quarter ended June 30, 2008. The increase was due to contracting of summer students in the quarter for specific projects and accrual of audit review costs.

In the six months ended September 30, 2007 Bengal recovered \$170,000 for work done by geologists in their Australian office related to their successful bid for Australian Gazettal Block ATP 934. Bengal recovered \$85,000 from its partners and allocated \$85,000 of its own costs (mainly salaries) to the project.

On a boe basis, YTD-2009 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			Six Months Ended	
	09/30/08	09/30/07	06/30/08	09/30/08	09/30/07
Gross G&A	\$ 615	\$ 551	\$ 556	\$ 1,171	\$ 1,109
Overhead recoveries	–	(170)	–	–	(170)
Net G&A	\$ 615	\$ 381	\$ 558	\$ 1,171	\$ 939
Net G&A (\$/boe)	\$ 35.95	\$ 29.96	\$ 27.98	\$ 31.67	\$ 39.84

Stock based compensation

The Company applies the fair value method for valuing warrants and stock option grants. Under this method, compensation costs attributable to all warrants and 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 \$54,000 for the three months ended September 30, 2008 compared to \$117,000 in the comparable prior-year period. The decline in expense is due to the expense related to most option grants has been fully amortized. There is \$85,000 remaining to be amortized and all stock based compensation will have been recognized.

In the three and six months ended September 30, 2008, no stock options were granted.

Depletion, Depreciation and Accretion (DD&A)

DD&A Expenses (\$000's)	Three Months Ended			Six Months Ended	
	09/30/08	09/30/07	06/30/08	09/30/08	09/30/07
DD&A – Australia	\$ 807	\$ 436	\$ 738	\$ 1,545	\$ 717
DD&A – Canada	270	116	304	574	225
Sub-total	\$ 1,077	\$ 552	\$ 1,042	\$ 2,119	\$ 942
\$/boe – Australia	126.62	82.30	110.47	118.41	80.22
\$/boe – Canada	25.14	15.65	23.06	23.98	15.39
\$/boe – Total	\$ 62.75	\$ 43.43	\$ 52.44	\$ 57.29	\$ 39.99

DD&A increased for the three and six months ended September 30, 2008 over the comparable prior year periods due to higher production volumes and DD&A rate per boe. DD&A per boe increased for the three and six months ended September 30, 2008 compared to the same period in the prior year due to additions to the depletable cost pool for drilling the Hudson exploration well (dry and abandoned) on the Barta block in Australia and Oak B.C. acquisition costs.

Funds from Operations and Net Earnings

In the six months ended September 30, 2008 funds from operations increased to \$1,214,000 from a loss of \$132,000 in the prior comparable period. The improvement is due to higher production volumes resulting from the Oak B.C. acquisition and increased Toparua volumes. Cash flow from operating activities in the same period increased from \$61,000 to \$1,768,000 due to the reasons noted above for funds flow from operations and due to increased cash provided by changes in working capital.

The loss for the six months ended September 30, 2008 was reduced to \$1,163,000 from \$1,311,000 in the prior comparable period. The reduction in the loss is due to higher production volumes and prices offset partially by higher depletion, depreciation, and accretion.

CAPITAL EXPENDITURES

During the six months ended September 30, 2008 the Company drilled four wells: The Cuisinier oil discovery and the Hudson dry and abandoned oil well which were the first two wells in the Santos Joint Venture program on Bengal's Barta (25%) block in Australia; the suspended Subzero gas well on Bengals' 35% owned PEL 113 Murteree block in

Australia; and the Oak 1-30 gas well (42%) on the Company's property in British Columbia. The Cuisinier well is scheduled to be completed and tied in by January of 2009. The Oak 1-30 started production on October 4, 2008. 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.

No G&A is capitalized in the six months ended September 30, 2008 (2007 - \$85,000).

Capital Expenditures (\$000's)	Three Months Ended			Six Months Ended	
	09/30/08	09/30/07	06/30/08	09/30/08	09/30/07
Land	\$ -	\$ 107	\$ -	\$ -	\$ 107
Geological and geophysical	161	469	316	477	793
Drilling	3,580	50	1,200	4,780	125
Completions	42	60	(15)	27	11
Total oil and gas additions	3,783	686	1,501	5,284	1,036
Office	59	49	31	90	49
Total expenditures	\$ 3,842	\$ 735	\$ 1,532	\$ 5,374	\$ 1,085

SHARE CAPITAL (Note all share and warrant figures are post 5:1 share consolidation completed on July 17, 2008)

The Company has an unlimited number of common shares authorized for issuance. On November 14, 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 November 14, 2008, there are 953,033 employee stock options outstanding with an average exercise price of \$2.93 of which 812,701 are vested. These options expire between 2008 and 2011 with an average remaining life of 2.7 years.

Share Information (000's) (prior periods adjusted for 5:1 consolidation)	Three Months Ended			Six Months Ended	
	09/30/08	09/30/07	06/30/08	09/30/08	09/30/07
Shares Outstanding					
Basic	18,213	15,338	18,213	18,213	15,338
Diluted	18,213	15,338	18,213	18,213	15,338
Weighted average shares outstanding					
Basic	18,213	15,338	18,209	18,211	15,338
Diluted	18,213	15,338	18,209	18,211	15,338

LIQUIDITY AND CAPITAL RESOURCES

The Company had working capital of \$3.8 million at September 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. 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 project specific debt when a suitable project is identified.

Currently the equity markets are being affected by the world wide financial and liquidity concerns and Bengal's ability to raise funds through equity financing may be restricted at this time. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to Bengal's reputation.

Trading History	Three Months Ended			Six Months Ended	
	09/30/08	09/30/07	06/30/08	09/30/08	09/30/07
High	2.60	2.05	2.90	2.90	2.25
Low	0.85	1.30	1.85	0.85	1.30
Close	1.05	1.35	2.50	1.05	1.35
Volume (000's)	746	337	1,558	2,304	1,317

The above figures are presented on a post-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 six months ended September 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 the amount of \$84,000 for the balance of the year ending March 31, 2009, \$121,000 for the year ending March 31, 2010 and \$40,000 from April to July, 2010. On October 31, Bengal's wholly owned subsidiary surrendered its office lease in Brisbane, Australia and the Company will realize future savings of approximately \$80,000.

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 September 30, 2008 was \$271,000.

Contractual Obligations (\$000's)	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Office lease	\$ 246	\$ 145	\$ 101	\$ –	\$ –
Asset retirement obligations	153	20	–	–	133
Total Contractual Obligations	\$ 399	\$ 165	\$ 101	\$ –	\$ 133

OUTLOOK for Quarter Ended September 30 2008

Bengal Energy Ltd. Has broadened its international oil and gas focus by successfully entering 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 NELP-VII provisional award of Block CY-ONN-2005/1 (the "Block"). Recently, India's Directorate General of Hydrocarbons has recommended to the Indian government the official award of the Block to Bengal and its partners; the official award of the Block and the formal government signing ceremony is expected to take place by December, 2008. The Block is a 946 square kilometer (233,761 acre) land block located in the Cauvery Basin, a proven producing basin in southeast India. Bengal 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. Following the formal award of blocks by the Government of India and the signing of the Production Sharing Contract, the granting of Petroleum Exploration License ("PEL") from the state (i.e. provincial) government occurs, subsequent to which the exploration period commences. The exploration activities on the Block are projected to commence in the first quarter of the 2009 calendar year.

In the initial four year phase, Bengal and its partners intend to undertake 2,000 kilometers of airborne magnetometry 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 631,093-acre Barta Block, the first well of the Santos JV – Cuisinier-1 – was drilled in May 2008 and suspended as a potential oil producer based on good oil shows and open hole logs indicating at least 6 meters of pay sands within a new zone for the area (Murta sandstone). In September, the Cuisinier-1 well was perforated and flow tested with oil flowing to surface from a 9-meter perforated interval in the Murta sandstone. The well will be completed with a beam pumping unit and will be tied into Santos's Cook oilfield battery, approximately 6 kilometers to the west. Early estimates by Santos suggest that the well will be capable of producing between 200 and 300 barrels of light (52 API) sweet oil per day. Production is expected to be online in Q1 2009 after construction of the pipeline and completion of processing agreements. The partners believe there are a number of follow-up drilling opportunities and are therefore proposing a 150 to 170 square kilometer 3D seismic program to further define and delineate the size and extent of the Murta reservoir. Bengal has earned a 17.5% interest in the Barta Block and has the option to increase its interest to 25% by electing to fund 55% of the next well. The discovery of this new target zone for the area significantly improves Bengal's growth potential from its Cooper Basin acreages.

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 of 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 had earlier decided that an additional processing stage would be required on the 3D seismic shot over Katandra prior to making a decision regarding the proposal of follow-up appraisal drilling. The Joint Venture has now received approval from the Northern Territory Government to carry out 180 square kilometers of 3D Pre-Stack Depth Migration ("PSDM") processing and geotechnical studies for the year commencing on June 8th 2008 as the minimum work requirement for the year at an estimated gross cost of \$425,000. Any follow-up appraisal drilling would then be contingent on the outcome of the PSDM processing and would occur in the subsequent year (i.e. year commencing June 2009) at an estimated gross cost of \$6,800,000.

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							
	09/30/08	6/30/08	3/31/08	12/31/07	9/30/07	6/30/07	3/31/07	12/31/06
Petroleum and Natural Gas Sales	\$ 1,482	\$ 1,952	\$ 1,259	\$ 956	\$ 732	\$ 627	\$ 914	\$ 1,821
Funds from Operations	367	829	(226)	165	79	(211)	(371)	1,314
Per Share- Basic and Diluted	0.02	0.05	(0.01)	0.01	0.01	(0.02)	(0.02)	0.09
Net Earnings (loss)	\$ (812)	\$ (351)	\$ (632)	\$(1,702)	\$ (553)	\$ (758)	\$(3,666)	\$(1,069)
Per Share- Basic and Diluted	(0.04)	(0.02)	(0.03)	(0.11)	(0.04)	(0.05)	(0.24)	(0.07)
Additions to capital assets	\$ 3,842	\$ 1,532	\$ 575	\$ (77)	\$ 735	\$ 350	\$ 3,247	\$ 1,790
Working capital	3,783	7,224	8,043	8,142	7,900	8,556	9,117	12,546
Total Assets	22,812	21,134	20,410	15,327	16,967	16,839	18,086	21,167
Shares Outstanding								
Basic and diluted	18,213	18,213	18,198	15,338	15,338	15,338	15,338	15,245
Operations								
Average daily production								
Natural gas (Mcf/d)	609	734	542	244	382	372	281	250
Oil and NGLs (bbls/d)	84	96	93	93	75	57	111	265
Combined (boe/d)	186	218	184	134	138	119	157	307
Netback (\$/boe)	\$ 49.75	\$ 59.37	\$ 52.25	\$ 57.24	\$ 37.79	\$ 40.73	\$ 37.92	\$ 46.70

In October, 2006 oil production from the discovery well Toparora-1 in Australia commenced. The well demonstrated high flush production rates initially and then declined until it gradually flattened out at around 80 bbls/d. As a result of declining initial oil production from the Toparora 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 60 boe/d to production and \$700,000 to gross revenue in the six months ended September 30, 2008.

Losses for the quarter's ended March 31, 2007 and 2008 and the quarters ended June 30, 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 September 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 of 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

On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed the mandatory changeover date to International Financial Reporting Standards ("IFRS") for Canadian profit-oriented publicly accountable entities ("PAEs") such as Bengal.

The AcSB requires the IFRS compliant financial statements be prepared for annual and interim financial statements commencing on or after January 1, 2011. For PAEs with a March 31 year-end, the first unaudited interim financial statements under IFRS will be for the quarter ending June 30, 2011, with comparative financial information for the quarter ended June 30, 2010. The first audited annual financial statements will be for the year ending March 31, 2012, with comparative financial information for the year ended March 31, 2011. This also means that all opening balance sheet adjustments relating to the adoption of IFRS must be reflected in the April 1, 2010 opening balance sheet which will be issued as part of the comparative financial information in the June 30, 2011 unaudited interim financial statements.

Bengal intends to adopt these requirements as set by the AcSB and other regulatory bodies. 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.

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.



(Formerly Avery Resources Inc.)

International exploration & production

Consolidated Financial Statements

**Three and Six Months Ended September 30, 2008
and 2007**

These Financial Statements have been reviewed by the Company's auditors. The comparative prior periods have not been reviewed by the Company's auditors.

BENGAL ENERGY LTD.

(Formerly Avery Resources Inc. – see Note 7)

CONSOLIDATED BALANCE SHEETS

(unaudited)

(thousands of dollars)

As at	September 30, 2008	March 31, 2008
ASSETS		
Current assets		
Cash and short term deposits	\$ 6,871	\$ 7,852
Accounts receivable	1,512	1,481
Prepaid expenses and deposits	115	144
	8,498	9,477
Petroleum and natural gas properties (Note 4)	12,555	9,294
Goodwill (Note 5)	1,759	1,639
	\$ 22,812	\$ 20,410
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 4,731	\$ 1,434
Asset retirement obligations (Note 6)	153	180
Non-controlling interest	–	9
Shareholders' equity:		
Share capital (Note 7)	43,460	43,438
Warrants (Note 7)	139	31
Contributed surplus (Note 7)	3,515	3,341
Deficit	(29,186)	(28,023)
	17,928	18,787
Commitment (Note 10)		
	\$ 22,812	\$ 20,410

See accompanying notes to consolidated financial statements.

BENGAL ENERGY LTD.

(Formerly Avery Resources Inc. – see Note 7)

CONSOLIDATED STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT

(unaudited)

(thousands of dollars, except per share amounts)

Periods ended September 30	Three months		Six months	
	2008	2007	2008	2007
Revenues				
Petroleum and natural gas sales	\$ 1,482	\$ 732	\$ 3,434	\$ 1,359
Royalties	(258)	(105)	(614)	(188)
Interest income	51	84	121	162
	1,275	711	2,941	1,333
Expenses				
General and administrative	615	381	1,171	939
Operating and transportation	373	147	651	251
Depletion, depreciation and accretion	1,077	552	2,119	942
Stock and warrant based compensation	106	117	282	261
Foreign exchange (gain) loss	(82)	79	(110)	278
	2,089	1,276	4,113	2,671
Loss before non-controlling interest	(814)	(565)	(1,172)	(1,338)
Non-controlling interest	2	12	9	27
Loss and comprehensive loss	(812)	(553)	(1,163)	(1,311)
Deficit, beginning of period	(28,374)	(25,136)	(28,023)	(24,378)
Deficit, end of period	\$ (29,186)	\$ (25,689)	\$ (29,186)	\$ (25,689)
Weighted average number of shares outstanding (000's) (Note 7)	18,213	15,338	18,211	15,338
Basic and diluted loss per share (Note 7)	\$ (0.04)	\$ (0.05)	\$ (0.06)	\$ (0.09)

See accompanying notes to consolidated financial statements.

BENGAL ENERGY LTD.

(Formerly Avery Resources Inc. – see Note 7)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(thousands of dollars)

Periods ended September 30	Three months		Six months	
	2008	2007	2008	2007
Cash provided by (used in)				
Operations				
Loss for the period	\$ (812)	\$ (553)	\$ (1,163)	\$ (1,311)
Items not affecting cash				
Depletion, depreciation and accretion	1,077	552	2,119	942
Unrealized foreign exchange loss (gain)	(4)	(37)	(12)	(24)
Stock and warrant based compensation	106	117	282	261
Abandonment expenditures	–	–	(12)	–
	367	79	1,214	(132)
Changes in non-cash working capital (Note 9)	775	60	554	193
	1,142	139	1,768	61
Financing				
Exercise of stock options	–	–	22	–
Changes in non-cash working capital (Note 9)	(3)	164	(239)	86
	(3)	164	(217)	86
Investments				
Additions to petroleum and natural gas properties and facilities	(3,823)	(735)	(5,374)	(1,085)
Changes in non-cash working capital (Note 9)	2,551	479	2,842	415
	(1,272)	(256)	(2,532)	(670)
Increase (decrease) in cash	(133)	47	(981)	(523)
Cash and short term deposits, beginning of period	7,004	7,769	7,852	8,339
Cash and short term deposits, end of period	\$ 6,871	\$ 7,816	\$ 6,871	\$ 7,816
	2008	2007	2008	2007
Interest received	\$ 35	\$ 79	\$ 71	\$ 104
Taxes paid	\$ –	\$ –	\$ 14	\$ –

See accompanying notes to consolidated financial statements.

BENGAL ENERGY LTD.

(Formerly Avery Resources Inc. – see Note 7)
Notes to Consolidated Financial Statements

Three and six months ended September 30, 2008 and 2007
(Tabular amounts are stated in thousands of dollars except share and per share amounts)
(unaudited)

1. INCORPORATION:

Bengal Energy Ltd (the “Company” or “Bengal”) (formerly Avery Resources Inc. – see Note 7) 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

On February 13, 2008, the Canadian Accounting Standards Board (“AcSB”) confirmed the mandatory changeover date to International Financial Reporting Standards (“IFRS”) for Canadian profit-oriented

publicly accountable entities (“PAEs”) such as Bengal.

The AcSB requires the IFRS compliant financial statements be prepared for annual and interim financial statements commencing on or after January 1, 2011. For PAEs with a March 31 year-end, the first unaudited interim financial statements under IFRS will be for the quarter ending June 30, 2011, with comparative financial information for the quarter ended June 30, 2010. The first audited annual financial statements will be for the year ending March 31, 2012, with comparative financial information for the year ended March 31, 2011. This also means that all opening balance sheet adjustments relating to the adoption of IFRS must be reflected in the April 1, 2010 opening balance sheet which will be issued as part of the comparative financial information in the June 30, 2011 unaudited interim financial statements.

Bengal intends to adopt these requirements as set by the AcSB and other regulatory bodies. 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
September 30, 2008			
Australia			
Petroleum and natural gas properties	\$ 17,409	\$ 10,697	\$ 6,712
Other assets	107	56	51
Canada			
Petroleum and natural gas properties	6,661	1,661	5,000
Other assets	390	228	162
Other			
Petroleum and natural gas properties	630	–	630
	\$ 25,197	\$ 12,642	\$ 12,555
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	6,170	1,113	5,057
Other assets	300	207	93
Other			
Petroleum and natural gas properties	333	–	333
	\$ 19,823	\$ 10,529	\$ 9,294

Undeveloped property costs at of \$2.7 million (2007 - \$4.3 million) have been excluded from the depletion calculation. Future development costs of proven reserves of \$322,000 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 resulting in a decrease in working capital of \$138,000, a decrease in asset retirement obligations of \$18,000 and an increase in goodwill of \$120,000.

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 September 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 September 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 September 30, 2008 and March 31, 2008.

A reconciliation of the asset retirement obligations is provided below:

(\$000's)	Six months ended September 30, 2008	Year ended March 31, 2008
Balance, beginning of period	\$ 180	\$ 85
Revisions	(19)	(20)
Liabilities settled	(12)	-
Liabilities acquired	-	107
Accretion expense	4	8
Balance, end of period	\$ 153	\$ 180

7. SHARE CAPITAL

(a) Authorized:

Unlimited number of common shares

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

(b) Issued (number of shares adjusted for 5:1 share consolidation):

(\$000's)	Number of shares	Amount
Balance March 31, 2007	15,337,787	\$ 38,507
Issued on acquisitions	2,860,000	4,931
Balance March 31, 2008	18,197,787	\$ 43,438
Issued on exercise of stock options	15,000	22
Balance September 30, 2008	18,212,787	\$ 43,460

Stock Consolidation:

On July 17, 2008, the Company's shareholders approved the consolidation of the Company's shares on a 5:1 basis and the change of the Company's name from Avery Resources Inc. to Bengal Energy Ltd., effective on the close of business July 21, 2008. The effect of the one-for-five consolidation was 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 have been adjusted to five times the pre-consolidation prices. Both the weighted average number of shares outstanding and the earnings per share for both the three and six months ended September 30, 2008 and 2007 have been presented as if the one-for-five consolidation had been in effect as of April 1, 2008 and 2007, respectively. All information included in these financial statements is calculated and presented subsequent to the one-for-five consolidation.

On February 13, 2008 Bengal Energy Ltd. acquired all the issued and outstanding common shares and common share purchase warrants of Bengal Energy Inc. in exchange for 2,860,000 Bengal Energy Ltd. shares and 940,000 common share purchase warrants.

Of the 2,860,000 Bengal Energy Ltd. common shares issued to Bengal Energy Inc. shareholders, 1,586,001 were issued to Bengal Energy Inc. shareholders who became the new management at Bengal Energy Ltd. The shares received by the new Bengal Energy Ltd. management team have been put in voluntary escrow whereby one-third of the shares were released on August 13, 2008 (i.e. six months from the closing date), one-half of the remaining escrowed shares will be released 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) Common share purchase warrants:

On February 13, 2008 Bengal Energy Ltd. issued 940,000 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 Energy Ltd. warrant vests and is exercisable upon the 20-day weighted average trading price of the Bengal Energy Ltd. shares being \$4.00 per share and upon vesting shall entitle the holder to acquire one Bengal Energy Ltd. share at an exercise price of \$2.00 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, 1,680,000 share purchase warrants with an exercise price of \$2.50 expired.

The table below provides details of common share purchase warrant activity (adjusted for 5:1 share consolidation):

(\$000's)	Number of warrants	Amount
Balance March 31, 2007	1,680,000	\$ 927
Expired	(1,680,000)	(927)
Issued for Bengal Acquisition	940,000	31
Balance March 31, 2008	940,000	\$ 31
Amortization of warrant fair value	-	108
Balance September 30, 2008	940,000	\$ 139

(d) Contributed surplus

A reconciliation of contributed surplus is provided below:

(\$000's)	Six months ended September 30, 2008	Year ended March 31, 2008
Balance, beginning of period	\$ 3,341	\$ 1,881
Stock-based compensation expense	174	533
Transfer from warrants on expiry of warrants	–	927
Balance, end of period	\$ 3,515	\$ 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	1,038,373	\$ 3.00
Granted	104,000	1.60
Outstanding at March 31, 2008	1,142,373	\$ 2.90
Exercised	(15,000)	1.50
Outstanding at September 30, 2008	1,127,373	\$ 2.90
Exercisable at September 30, 2008	949,708	\$ 2.97

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.

No stock options were granted in the six months ended September 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 periods and therefore any addition to basic shares outstanding is anti-dilutive. The weighted average number of shares outstanding at September 30, 2008 is 18,211,066 (2007 – 15,337,787).

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 September 30, 2008 Bengal's receivables consisted of \$1.2 million (2007 - \$0.4 million) from joint venture partners, \$0.1 million (2007 - \$0.5 million) of receivables from petroleum and natural gas marketers and \$0.2 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 September 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 September 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 six months ended September 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 \$ 4.7 million at September 30, 2008. Bengal has \$6.9 million in cash and a net working capital surplus of \$3.8 million at September 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. 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 project specific debt when a suitable project is identified.

Currently the equity markets are being affected by the world wide financial and liquidity concerns and Bengal's ability to raise funds through equity financing may be restricted at this time. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to Bengal's reputation.

(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 and incurs expenditures in Australian, Canadian and U.S. currencies. Having sales and expenditures denominated in three currencies spreads the impact of individual currency fluctuations. The Company had no forward exchange rate contracts in place as at September 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 September 30, 2008 and March 31, 2008. At September 30, 2008 a \$5.00 decrease in oil prices and a \$0.50 decline in natural gas prices would have caused net earnings to decrease by \$112,000 for the six months ended September 30, 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 six months ended September 30, 2008, net income and cash flow would have decreased by \$37,000. The Company had no interest rate swaps or hedges at September 30, 2008 and March 31, 2008.

(e) Capital management:

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

Six months ended September 30 (\$000's)	2008	2007
Accounts receivable and prepaid expenses	(2)	739
Accounts payable and accrued liabilities	3,159	(45)
Total	3,157	694
Relating to:		
Operating	554	193
Financing	(239)	86
Investing	2,842	415
Total	3,157	694

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

10. COMMITMENT

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

Years ended March 31	
2009	\$ 85
2010	121
2010 – April to July	40
	\$ 246

On October 31, 2008 Bengal's wholly owned subsidiary Avery Resources Australia (Pty) Limited (ARAPL) surrendered its office lease in Brisbane, Australia. The surrender costs of \$20,000 are included in the above commitment table and ARAPL has no further obligations related to the lease or office space. Bengal will realize savings of approximately \$80,000 by surrendering the lease.

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 \$1,000,000 of qualifying oil and natural

gas expenditures effective December 31, 2007 pursuant to a flow-through share offering. At September 30, 2008 Bengal has fulfilled the qualifying expenditure requirement.

11. SEGMENTED INFORMATION

Six months ended September 30, 2008				
(\$000's)				
	Australia	Canada	Other	Total
Revenue, net of royalties	\$ 1,691	\$ 1,129	\$ –	\$ 2,820
Loss for period	(417)	(746)	–	(1,163)
Petroleum and natural gas properties				
Cost	\$ 17,516	\$ 7,051	\$ 630	\$ 25,197
Accumulated depletion, depreciation and amortization	(10,753)	(1,889)	–	(12,642)
Net Book Value	\$ 6,763	\$ 5,162	\$ 630	\$ 12,555
Petroleum and natural gas property expenditures	\$ 4,496	\$ 582	\$ 296	\$ 5,374
Goodwill	\$ –	\$ 1,759	\$ –	\$ 1,759
Six months ended September 30, 2007				
(\$000's)				
	Australia	Canada	Other	Total
Revenue, net of royalties	\$ 676	\$ 495	\$ –	\$ 1,171
Loss for period	(805)	(506)	–	(1,311)
Petroleum and natural gas properties				
Cost	\$ 13,133	\$ 3,217	\$ 294	\$ 16,644
Accumulated depletion, depreciation and amortization	(7,532)	(1,017)	–	(8,549)
Net Book Value	\$ 5,601	\$ 2,200	\$ 294	\$ 8,095
Petroleum and natural gas property expenditures	\$ 1,020	\$ 65	\$ –	\$ 1,085
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