Bengal
ENERGY LTD.

International exploration & production

Management's Discussion & Analysis

Three Months Ended June 30, 2009 and 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS – August 12, 2009

The following Management's Discussion and Analysis ('MD&A') as provided by the management of Bengal Energy Ltd. ("Bengal" or the "Company") should be read in conjunction with the unaudited interim Consolidated Financial Statements and notes thereto for the three months ended June 30, 2009 and 2008 and the audited Consolidated Financial Statements, related notes and MD&A for the years ended March 31, 2009 and 2008. The reader should be aware that historical results are not necessarily indicative of future performance.

The Company's activities are focused in Canada, Australia and India. Over the reporting period, revenue and expenses were generated and capital expenditures were made in Canada and Australia, and capital expenditures were made in India. The Company's activities are carried out primarily in Canadian dollars as well as the currencies of each country in which the Company operates. The Company reports financial results in Canadian dollars.

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 functional 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 MD&A compares the results of the three months ended June 30, 2009 ("Q1-2010") to the three months ended June 30, 2008 ("Q1-2009") and the results of the three months ended March 31, 2009 ("Q4-2009").

Non-GAAP Measurements – Within the MD&A references are made to terms commonly used in the oil and gas industry. Funds from operations, funds from operations per share and netbacks are not defined by GAAP in Canada and are referred to as non-GAAP measures. Funds from operations per share is calculated based on the weighted average number of common shares outstanding consistent with the calculation of net income per share. Netbacks equal total revenue less royalties and operating and transportation expenses calculated on a boe basis. Management utilizes these measures to analyze operating performance. Funds from operations is not intended to represent operating profit for the period nor should it be viewed as an alternative to operating profit, net income, cash flow from operations or other measures of financial performance calculated in accordance with Canadian GAAP. Funds from operations is commonly referred to as cash flow by research analysts and is used to value and compare oil and gas companies and is frequently included in published research when providing investment recommendations. Total boes are calculated by multiplying the daily production by the number of days in the period.

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

	Three Months Ended		
$000s	**06/30/09**	**06/30/08**	**03/31/09**
Cash flow from (used in) operations	(628)	607	(85)
Abandonment expenditures	21	31	–
Changes in non-cash working capital	309	222	(7)
Funds from (used in) operations	(298)	860	(92)

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;*
- *Capital expenditures programs.*
- *Expectation that Bengal's future realized gas and oil prices will coincide with the AECO and TAPIS daily index price;*
- *Funding of working capital requirements, commitments and other planned expenses will be by cash on hand;*
- *Sufficiency of funds to meet working capital requirements, commitments and planned expenditures;*
- *Commencement of exploration and development activities on Block CY-ONN-2005/1 in India;*
- *Commencement of exploration and development activities on Permit AC/P 47 offshore Australia;*
- *Estimates of production levels in the Cooper Basin of Queensland, Australia and in Canada;*
- *Suggested pay sands and production start date of the Cuisinier well; and*
- *Future amount and timing of activity to be carried out by the Santos Joint Venture.*

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. The forward-looking statements contained in this document speak only as of the date of this document and Bengal does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable securities laws.

Additional information can also be found in Bengal's Annual Information Form dated June 22, 2009 and available on SEDAR at www.sedar.com.

HIGHLIGHTS

$000s except per share, volumes and netback amounts	Three Months Ended		
	06/30/09	**06/30/08**	**03/31/09**
Revenue			
Natural gas	**$ 219**	$ 761	$ 357
Natural gas liquids	**56**	205	62
Oil	**299**	986	248
Total	**574**	1,952	667
Royalties	**65**	356	143
% of revenue	**11.3**	18.3	21.4
Operating & transportation	**246**	278	283
Netback[1]	**263**	1,318	241
Cash flow from (used in) operations:	**(628)**	607	(85)
Per share ($) (basic & diluted)	**(0.03)**	0.03	(0.00)
Funds from (used in) operations:[2]	**(298)**	860	(92)
Per share ($) (basic & diluted)	**(0.02)**	0.05	(0.01)
Net (loss):	**(865)**	(351)	(839)
Per share ($) (basic & diluted)	**(0.05)**	(0.02)	(0.05)
Capital expenditures	**$ 154**	$ 1,532	$ 254
Volumes			
Natural gas (mcf/d)	**684**	734	712
Natural gas liquids (boe/d)	**15**	23	19
Oil (bbl/d)	**43**	73	44
Total (boe/d @ 6:1)	**172**	218	182
Netback ($/boe)			
Revenue	**$ 36.54**	$ 98.23	$ 40.81
Royalties	**4.11**	17.93	8.72
Operating & transportation	**15.64**	13.97	17.23
Total	**$ 16.78**	$ 66.33	$ 14.86

(1) Netback is a non-GAAP measure. Netback per boe is calculated by dividing the revenue and costs in total for the company by the total production of the company measured in boe.

(2) Funds from operations is a non-GAAP measure. The comparable GAAP measure is cash flow from operations. A reconciliation of the two measures can be found in the table on page 1.

RESULTS OF OPERATIONS

Production

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

Production	Three Months Ended		
	06/30/09	**06/30/08**	**03/31/09**
Natural Gas (mcf/d)	**684**	734	712
NGLs (boe/d)	**15**	23	19
Oil (bbls/d)	**43**	73	44
Total (boe/d)	**172**	218	182

For the three months ended June 30, 2009 (Q1-2010), total oil, natural gas and natural gas liquids (NGLs) production averaged 172 boe/d, a decrease of 21% from the 218 boe/d produced in the comparable prior period of 2008 and a 5% decrease from Q4-2009 production of 182 boe/d. The decrease in gas and natural gas liquids production is due to a scheduled maintenance turnaround at the Kaybob gas processing plant from late April to early June. Oil production is lower due to natural declines of the Toparoa well in Australia. The Company expects natural declines will reduce overall production marginally until start-up of the Cuisinier well expected in September 2009.

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.

Bengal's realized price for its Australian oil production is based on the Tapis Crude benchmark price plus a small quality premium. 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. Tapis has been trading at an average premium to West Texas Intermediate ("WTI") of US $5.50 per 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**		
	06/30/09	**06/30/08**	**03/31/09**
Average Benchmark Prices			
AECO 30 day firm ($/mcf)	**$ 3.65**	$ 9.35	$ 5.62
TAPIS oil ($US/bbl)	**67.55**	129.07	49.03
Cdn/Aus exchange rate	**0.89**	0.95	0.83
WTI oil ($US/bbl)	**$ 59.62**	$ 124.00	$ 43.21
Bengal's Realized Price ($ CAD)			
Natural gas ($/mcf)	**$ 3.51**	$ 11.39	$ 5.58
Oil ($/bbl)	**75.80**	147.77	61.91
NGLs ($/bbl)	**40.24**	99.43	37.17
Total ($/boe)	**$ 36.54**	$ 98.23	$ 40.81

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 ($000s)	**Three Months Ended**		
	06/30/09	**06/30/08**	**03/31/09**
Natural Gas	**$ 219**	$ 761	$ 357
NGLs	**56**	205	248
Oil	**299**	986	62
Total	**$ 574**	$ 1,952	$ 667

Revenues in Q1-2010 decreased by 71% from the prior comparable period due to a 62% decline in commodity prices and a 21% drop in production volumes. In the current quarter revenue declined 14% from the 3 months ended March 31, 2009 due to a 10% decline in commodity prices and a 5% decline in production volumes.

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 NGLs are charged by the government based on an established monthly reference price. Gas cost allowance and custom processing credits reduce the effective royalty rate. Bengal's effective

Crown royalty rate on Alberta production is 12.9% for the three months ended June 30, 2009 (2008 - 24.1%). The decrease in Crown royalty rates is due to lower gas prices offset by higher NGL 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, 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 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 5.9% for the three months ended June 30, 2009 (2008 – 20.0%). The decline is due to lower gas prices and is not offset as much by higher NGL prices as the Oak gas is not liquids rich. Bengal also pays a 15% GORR to the landholder for two of its Oak gas wells.

Bengal has not been affected by any incentives provided by the new Alberta royalty legislation introduced recently and the main reason for the decline in royalties in the current period is due to lower natural gas prices.

In Australia, oil royalties are based on a government established rate of 11%. The royalty rate is applied to gross revenues after deducting an allowance for transportation and operating costs resulting in an effective rate of less than 11%.

The decrease in Bengal's royalties for the three months ended June 30, 2009 to $65,000 compared with $356,000 in the same period of the previous year is due to lower product prices and lower volumes. The decline from March 31, 2009 is due to lower gas prices and due to an adjustment related to a prior period for Australian royalties of $38,000 in the quarter ended March 31, 2009.

Royalties by Type ($000s)	**Three Months Ended**		
	06/30/09	**06/30/08**	**03/31/09**
Canada Crown	**$ 18**	$ 214	$ 73
Canada gross overriding	**19**	78	8
Australian Government	**28**	64	62
Total	**$ 65**	$ 356	$ 143
$/boe	**4.11**	17.93	8.72
% of revenue	**11.3**	18.3	21.4

Royalties by Commodity	**Three Months Ended**		
	06/30/09	**06/30/08**	**03/31/09**
Natural Gas			
$000s	**$ 16**	$ 236	$ 62
$/mcf	**0.26**	3.53	0.94
% of revenue	**7.3**	31.0	16.9
Oil			
$000s	**$ 28**	$ 64	$ 62
$/bbl	**7.18**	9.68	15.53
% of revenue	**9.5**	6.6	25.1
NGLs			
$000s	**$ 21**	$ 56	$ 19
$/bbl	**14.63**	27.16	11.96
% of revenue	**36.4**	27.3	32.2

Operating & Transportation Expenses

Costs in the three months ended June 30, 2009 decreased $37,000 or 13% from March 31, 2009. Costs in the three months ended March 31, 2009 were higher due to unseasonably cold weather in Canada which resulted in higher fuel and maintenance costs for the Company's Oak property. Operating and transportation costs decreased 12% to $246,000 in the three months ended June 30, 2009 from $278,000 in the comparable prior year period due to lower oil production volumes resulting in lower transportation costs.

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.

Operating Expenses ($000s)	**Three Months Ended**		
	06/30/09	**06/30/08**	**03/31/09**
Australia			
Operating	**$ 17**	$ 10	$ 24
Transportation	**54**	89	51
	71	99	75
Canada – operating costs	**175**	179	208
Total	**$ 246**	$ 278	$ 283
Australia			
Operating - $/boe	**4.22**	1.50	6.00
Transportation - $/boe	**13.81**	13.33	12.80
Canada - $/boe	**14.84**	13.52	16.72
Total ($boe)	**$ 15.64**	$ 13.97	$ 17.23

General and Administration (G&A) Expenses

G&A costs were $33,000 or 6% lower in the quarter ended June 30, 2009 compared to the comparable period in the prior year due to closure of the Australia office partially offset by administrative costs in India. G&A costs increased in Q1-2010 compared to Q4-2009 due to higher consulting costs for land administration and business development.

On a boe basis, G&A costs increased marginally due to lower production volumes.

General and Administrative Expenses ($000s)	**Three Months Ended**		
	06/30/09	**06/30/08**	**03/31/09**
G&A	**$ 523**	$ 556	$ 506
G&A ($/boe)	**$ 33.30**	$ 27.98	$ 30.94

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.

For the three months ended June 2009 stock-based compensation expense is $16,000 compared to $120,000 in the prior comparable period. The lower expense is due to compensation expense on older option grants being fully expensed. At June 30, 2009 there is $86,000 of stock-based compensation remaining to be amortized over the next two years.

In March 2009, 685,000 stock options were granted to employees and directors. The options expire in five years; they vest one-third immediately and one-third on each of the following two annual anniversaries, and have an exercise price of $0.36 per option which was the market price of the Company's shares at the time of the grant. The fair value of the options is $129,000 using the Black-Scholes option pricing model.

The Company recorded warrant amortization expense of $40,000 (2008 - $56,000) for the three months ended June 30, 2009. At June 30, 2009 there is $436,000 of fair value related to the warrants to be amortized

Depletion, Depreciation and Accretion (DD&A)

DD&A Expenses ($000s)	**Three Months Ended**		
	06/30/09	**06/30/08**	**03/31/09**
DD&A – Australia	**$ 239**	$ 738	$ 227
DD&A – Canada	**320**	304	333
Total	**$ 559**	$ 1,042	$ 560
$/boe – Australia	**60.34**	110.47	57.04
$/boe – Canada	**27.21**	23.06	26.91
$/boe – Total	**$ 35.55**	$ 52.44	$ 34.27

For Q1-2010, depletion, depreciation and accretion ("DD&A") was $559,000 compared to $1,042,000 in Q1-2009 and $560,000 in Q4-2009. Bengal has excluded $3,231,000 from the depletion base related to unproved properties in Q1-2010 and included $50,000 in future development costs related to proved reserves. On a per boe basis, Bengal's charge was consistent with the Q4-2009 charge. DD&A per boe declined 32% from $52.44 in Q1-2009 to $35.55 in Q1-2010 due to the addition of Cuisinier reserves to proved reserves and lower production relative to the proved reserve base.

Funds from Operations and Net Earnings

Q1-2010 funds used in operations totaled $298,000 or $0.02 per basic and diluted share. Funds used in operations for Q4-2009 was $92,000 or $0.01 per basic and diluted share. Funds from operations for Q1-2009 were $860,000 or $0.05 per basic and diluted share. Funds used in operations in Q1-2010 decreased from comparable prior periods primarily due to lower realized commodity prices. The Q1-2010 net loss was $865,000 versus losses of $839,000 in Q4-2009 and $351,000 in Q1-2009. On a per share basis, the net loss in Q1-2010 was $0.05 per basic and diluted share compared to Q4-2009 loss of $0.05 per basic and diluted share and Q1-2009 loss of $0.02 per basic and diluted share. The changes in non-cash working capital and abandonment expenditures are removed from cash flow (used in) from operations to arrive at funds from (used in) operations.

CAPITAL EXPENDITURES

Geological and Geophysical expenses totalled $152,000 in Q1-2010 and relate to seismic acquisition, interpretation and analysis on all of the Company's lands including prospect identification and play development.

Capital Expenditures ($000s)	**Three Months Ended**		
	06/30/09	**06/30/08**	**03/31/09**
Geological and geophysical	**$ 152**	$ 316	$ 174
Drilling	**–**	1,200	11
Completions	**2**	(15)	19
Total oil and gas additions	**154**	1,501	204
Office	**–**	31	50
Total expenditures	**$ 154**	$ 1,532	$ 254

SHARE CAPITAL

The Company has an unlimited number of common shares authorized for issuance. On August 12, 2009 there are 18,212,783 common shares issued and outstanding on a post consolidation basis.

On July 17, 2008 Avery Resources Inc. consolidated its shares on a 5:1 basis and renamed the company Bengal Energy Ltd.

No options were granted in Q1-2010.

At August 12, 2009, there are 1,565,366 employee stock options outstanding with an average exercise price of $1.81 per share – of these, 1,082,705 are exercisable at an average price of $2.43 per share. These options expire between 2009 and 2014 with an average remaining life of 3.0 years.

Trading History	**Three Months Ended**		
	06/30/09	**06/30/08**	**03/31/09**
High	**$ 0.84**	$ 2.90	$ 0.60
Low	**0.27**	1.85	0.21
Close	**0.43**	2.50	0.28
Volume (000s)	**909**	1,558	220

The above figures are presented on a post-consolidated basis. On November 1, 2007, trading in Avery Resources Inc. (Bengal's predecessor company) 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.

Share Information (000s) (prior periods adjusted for 5:1 consolidation)	**Three Months Ended**		
	06/30/09	**06/30/08**	**03/31/09**
Shares Outstanding			
Basic and diluted	**18,213**	18,213	18,213
Weighted average shares outstanding			
Basic and diluted	**18,213**	18,209	18,213

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2009 the Company had working capital of $1,764,000, including cash and short term deposits of $2,098,000, compared to working capital of $2,189,000 and cash and short term deposits of $2,676,000 at March 31, 2009. The Company's future capital expenditure plans are discussed below in the "Outlook" section. The Company invests surplus cash only in guaranteed investment certificates.

Work commitments and planned Joint Venture expenditures are currently estimated at $2,044,000 over the next twelve months. Any additional expenditure, subject to Board approval, will be based on project economics, strategic importance, commodity prices, financing capability, general economic conditions, and the Company's financial position.

The Company has prepared forecast for the period July 2009 to June 2010 and based on $66 US per bbl WTI and $4.00 CAD AECO gas prices, expects to have sufficient cash remaining in the bank to remain a going concern at June 30, 2010. This forecast is based on the expectation that the Cuisinier well in Australia will begin production in September 2009 at approximately 40 bbls per day net to the Company and that the remainder of the Company's production will continue to decline at similar rates as those experienced in the past.

Note the above comments are forward-looking and are based on management's best estimates at this time. Readers are cautioned that actual results will vary from the above estimates.

The Company recognizes that in the current market conditions, raising new capital through share issuances may be not be in the interest of shareholders. Based on cash requirements and cash sources described above, the Company expects its current funds will be sufficient to meet its working capital requirements, commitments and other planned expenditures in fiscal 2010.

Contractual Arrangements

The Company is committed to minimum annual operating lease payments on its premises in Canada in the amount of $94,000 for the balance of the year ending March 31, 2010 and $42,000 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, 2009 was $281,000 (2008 - $271,000).

Contractual Obligations ($000s)	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Office lease	$ 136	$ 94	$ 42	$ –	$ –
Asset retirement obligations	162	48	29	15	70
Total Contractual Obligations	$ 298	$ 142	$ 71	$ 15	$ 70

Bengal enters into commitments for capital expenditures in advance of the expenditures being made. The Company also enters into farm-in agreements where it commits to capital expenditures in order to earn and retain certain lands. These are considered routine in nature and form part of normal course of operations for active oil and gas companies and therefore are not included in the table above.

RELATED PARTY TRANSACTIONS

There were no related party transactions during the quarter ended June 30, 2009 or in the prior year comparable period.

OFF BALANCE SHEET TRANSACTIONS

The Company does not have any off balance sheet transactions.

OUTLOOK

On October 17, 2007, Bengal announced that it had signed a formal agreement with a major Australian oil and gas explorer and producer, whereby Bengal and Santos would jointly explore and develop, subject to certain terms and conditions, exploration license ATP 752P within the Cooper/Eromanga Basin of Queensland, Australia. ATP 752P – a large, 868,000 gross acre parcel, divided into northern (Barta area) and southern (Wompi area) blocks – represents some 45% of Bengal's overall gross Cooper/Eromanga Basin acreage. On the southern portion of ATP 752P (the Wompi Block), in ongoing fulfillment of the joint venture and farm-in terms, the operator Santos has completed the acquisition of 206 km2 of new 3D seismic (at no cost to Bengal). Bengal expects to review the Genoa and Bowen 3D seismic data on the Wompi lands from the operator. Following thorough evaluation of the new 3D seismic data, the JV and farm-in agreement provides for the operator to drill up to four new exploration wells. The Company is carried for the costs of the initial 3 exploration wells but Bengal retains the option to fund 60% of the final exploration well in order to retain its 30% working interest in the Wompi block. Drilling is expected to begin in the first quarter of calendar year 2010.

On the Barta block, the operator's efforts continue towards initial production start-up at the Cuisinier oil discovery. Production is anticipated to begin in September 2009. The Cuisinier 3D seismic program was acquired in April (again at no cost to Bengal) and is undergoing standard seismic processing with results expected in October. The new 3D seismic and production results are anticipated to enable the joint venture to define an appropriate appraisal and development plan in November, 2009.

The Company holds a 25% interest in the coal seam gas (coal bed methane) block PEL 103A. The Operator has recently announced to the Australian Stock Exchange of its intent to drill three core holes – named Merninie 1, 2, and 3 – in PEL 103 and PEL 103A. Of these three wells, two are presently expected to be within Bengal's PEL 103A permit lands and will evaluate the coal seam gas resource potential within the shallow Winton Formation; the Company expects to participate in these two wells for a net estimated cost of $350,000.

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 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 Year 4 of the AC/P 24 Permit, and to extend Year 4 by 10 months to April 7 2010. The Operator has advised the Company that the estimated net cost to Bengal for Year 4 activities is $85,000. 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 April 8, 2010).

The Government of India has recently launched the eighth round of New Exploration Licensing Policy (NELP-VIII) wherein 70 exploration blocks covering an area of about 163,535 Sq. km. are being offered for bidding. The bid closing date for NELP-VIII is 12th October, 2009. Bengal is currently evaluating select exploration blocks with a view to making bid decisions.

The Company continues to review strategic opportunities on the Merger & Acquisition front towards enhancing our portfolio of assets and projects.

SELECTED QUARTERLY INFORMATION

(000s, except per share amounts)								Quarter Ended
	6/30/09	**3/31/09**	**12/31/08**	**9/30/08**	**6/30/08**	**3/31/08**	**12/31/07**	**9/30/07**
Petroleum and natural gas sales	**$ 574**	$ 667	$ 825	$ 1,482	$ 1,952	$1,259	$ 956	$ 732
Cash flow from (used-in) operations	**(628)**	(85)	303	1,142	607	(527)	(20)	139
Per Share Basic and Diluted	**(0.03)**	(0.00)	0.02	0.06	0.03	(0.03)	(0.00)	0.01
Funds from (used in) operations	**(298)**	(92)	(29)	367	860	(226)	165	79
Per Share Basic and Diluted	**(0.02)**	(0.01)	(0.00)	0.02	0.05	(0.01)	0.01	0.01
Net loss	**$ (865)**	$ (839)	$ (6,196)	$ (812)	$ (351)	$ (632)	$(1,702)	$ (553)
Per Share Basic and Diluted	**(0.05)**	(0.05)	(0.34)	(0.04)	(0.02)	(0.03)	(0.11)	(0.04)
Additions to capital assets	**$ 154**	$ 254	$ 1,096	$ 3,842	$ 1,532	$ 575	$ (77)	$ 735
Working capital	**1,764**	2,189	2,642	3,783	7,224	8,043	8,142	7,900
Total Assets	**11,839**	12,664	13,459	22,812	21,134	20,410	15,327	16,967
Shares Outstanding Basic and diluted	**18,213**	18,213	18,213	18,213	18,213	18,198	15,338	15,338
Operations								
Average daily production								
Natural gas (Mcf/d)	**684**	712	842	609	734	542	244	382
Oil and NGLs (bbls/d)	**58**	63	65	84	96	93	93	75
Combined (boe/d)	**172**	182	205	186	218	184	134	138
Netback ($/boe)	**$16.78**	$14.86	$25.90	$ 49.75	$ 59.37	$52.25	$ 57.24	$ 37.79

Petroleum and natural gas sales were on an increasing trend up to the quarter ended June 30, 2008 due to increasing production and commodity prices. Production increases were due to commencement of Toparoa oil production and acquisition of Oak gas wells. Since that time sales have been on a declining trend due to natural reservoir declines and lower commodity prices.

Losses for the quarter ended March 31, 2008 and June 30, 2008 are higher due to ceiling test impairment charges. In the quarter ended December 31, 2008 the loss is increased by goodwill and ceiling test impairment charges.

Gas production volumes began an upward trend in the quarter ended March 31, 2008 with the acquisition of two gas wells in Oak, British Columbia and continued in the quarter ended December 31, 2008 due to commencement of production from the new Oak well. Gas volumes have declined in the two most recent quarters due to natural reservoir decline. Oil and NGL production has declined since the quarter ended March 31, 2008 due to natural reservoir decline of the Toparoa well.

FINANCIAL INSTRUMENTS

Financial instruments comprise cash and short term deposits, 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 CONTROLS & PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING ("ICFR")

Disclosure Controls and Procedures

The Company has established disclosure controls and procedures for the timely and accurate preparation of financial and other reports. Disclosure controls and procedures are designed to provide reasonable assurance that material information required to be disclosed is recorded, processed, summarized and reported within the periods specified by applicable securities regulations and that information required to be disclosed is accumulated and communicated to the appropriate members of management and properly reflected in the Company's filings. Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these disclosure controls and procedures should not exceed their expected benefits. As such, the Company's disclosure controls and procedures can only provide reasonable assurance, and not absolute assurance, that the objectives of such controls and procedures are met. The Chief Executive Officer and Chief Financial Officer oversee this evaluation process and have concluded that the design and operation of these disclosure controls and procedures are not effective in providing reasonable assurance that material information required to be disclosed by the Company in reports filed with the Canadian securities regulators is accurate and complete and filed within the periods required due to the material weaknesses identified in internal controls over financial reporting as noted below. The Chief Executive Officer and Chief Financial Officer have individually signed certifications to this effect.

Internal Controls over Financial Reporting ("ICFR")

The Chief Executive Officer and Chief Financial Officer of Bengal are responsible for designing and ensuring the operating effectiveness of internal controls over financial reporting or causing them to be designed and operating effectively under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. Bengal's management has assessed the design and operating effectiveness of internal controls over financial reporting.

There were no changes in the Company's ICFR in the quarter ended June 30, 2009 that have materially affected, or are reasonably likely to affect, the Company's ICFR. While Bengal's Chief Executive Officer and Chief Financial Officer believe the Company's internal controls and procedures provide a reasonable level of assurance that they are reliable, an internal control system cannot prevent all errors and fraud. It is management's belief that any control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

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

- Management is aware that there is a lack of segregation of duties due to the small number of employees dealing with general and administrative and financial matters. However, management believes that at this time the potential benefits of adding employees to clearly segregate duties do not justify the costs associated with such increase;
- Many of Bengal's information systems are subject to general control deficiencies including a lack of effective controls over spreadsheets, access and documentation. The Company expects that some deficiencies will continue into the future; and
- Bengal does not have full-time in-house personnel to address all complex financial and non-routine tax issues that may arise. It is not deemed as economically feasible at this time to have such personnel. Bengal relies on external experts for review and advice on complicated financial issues and for tax planning, tax provision and compilation of corporate tax returns.

These weaknesses in internal controls over financial reporting result in a more than remote likelihood that a material misstatement would not be prevented or detected. Management and the Board of Directors work to mitigate the risk of material misstatement; however, management and the Board do not have reasonable assurance that this risk can be reduced to a remote likelihood of a material misstatement.

APPLICATION OF CRITICAL ACCOUNTING ESTIMATES

The significant accounting policies used by Bengal are disclosed in Note 1 to the audited Consolidated Financial Statements for the years ended March 31, 2009 and 2008. 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, 2009 Annual Management Discussion and Analysis.

FINANCIAL REPORTING UPDATE

Recent pronouncements

In February 2008, the CICA Accounting Standards Board ("AcSB") confirmed the changeover to IFRS from Canadian GAAP will be required for publicly accountable enterprises for interim and annual financial statements effective for fiscal years beginning on or after January 1, 2011, including comparatives for 2010. The Company continues to perform detailed analysis on the major areas impacted by IFRS and will also continue to monitor standards development as issued by the IASB and the AcSB as well as regulatory developments as issued by the Canadian Securities Administrators, which may affect the timing, nature or disclosure of its adoption of IFRS.

Future Accounting Changes

In May 2009, the CICA amended Section 3862, "Financial Instruments – Disclosures," to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three level hierarchy that reflects the significance of the inputs used in making fair value measurements. Fair value of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement. These amendments are effective for Bengal on March 31, 2010.

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 is 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.

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
Edwin (Ted) S. 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
Edwin (Ted) S. Hanbury

COMPENSATION COMMITTEE
Edwin (Ted) S. Hanbury
Richard N. Edgar
Ian J. Towers
Judith A. Stripling

OFFICERS
Bradley G. 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

Bengal
ENERGY LTD.

International exploration & production

Consolidated Financial Statements

Three Months Ended June 30, 2009 and 2008

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

BENGAL ENERGY LTD.

CONSOLIDATED BALANCE SHEETS
(thousands of dollars) (unaudited)

As at		**June 30, 2009**		**March 31, 2009**
ASSETS				
Current assets				
Cash and short term deposits	$	2,098	$	2,676
Accounts receivable		996		835
Prepaid expenses and deposits		111		118
		3,205		3,629
Petroleum and natural gas properties (Note 4)		8,634		9,035
	$	11,839	$	12,664
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable and accrued liabilities	$	1,441	$	1,440
Asset retirement obligations (Note 5)		162		179
Shareholders' equity:				
Share capital (Note 6)		43,460		43,460
Warrants (Note 6)		269		229
Contributed surplus (Note 6)		3,593		3,577
Deficit		(37,086)		(36,221)
		10,236		11,045
Going concern (Note 2)				
Commitments (Note 9)				
	$	11,839	$	12,664

See accompanying notes to consolidated financial statements.

BENGAL ENERGY LTD.

CONSOLIDATED STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT
(thousands of dollars, except per share amounts) (unaudited)

Three months ended June 30,		2009		2008
Revenues				
Petroleum and natural gas sales	$	574	$	1,952
Royalties		(65)		(356)
Interest income		7		70
		516		1,666
Expenses				
General and administrative		523		556
Operating and transportation		246		278
Depletion, depreciation and accretion		559		1,042
Stock based compensation		56		176
Foreign exchange gain		(3)		(28)
		(1,381)		(2,024)
Loss before non-controlling interest		(865)		(358)
Non-controlling interest		–		7
Net loss and comprehensive loss		(865)		(351)
Deficit, beginning of period		(36,221)		(28,023)
Deficit, end of period	$	(37,086)	$	(28,374)
Weighted average number of shares outstanding (000s) (Note 6)		18,213		18,209
Basic and diluted loss per share (Note 6)	$	(0.05)	$	(0.02)

See accompanying notes to consolidated financial statements.

BENGAL ENERGY LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(thousands of dollars) (unaudited)

Three months ended June 30,	**2009**	**2008**
Cash provided by (used in)		
Operations		
Net loss for the period	$ (865)	$ (351)
Items not affecting cash		
Depletion, depreciation and accretion	559	1,042
Unrealized foreign exchange gain	(48)	–
Non-controlling interest	–	(7)
Stock and warrant based compensation	56	176
Abandonment expenditures	(21)	(31)
Changes in non-cash working capital (Note 8)	(309)	(222)
Cash flow from (used in) operations	(628)	607
Financing		
Exercise of stock options	–	22
Changes in non-cash working capital (Note 8)	(3)	(236)
Cash flow used in financing	(3)	(214)
Investments		
Additions to petroleum and natural gas properties and facilities	(154)	(1,532)
Changes in non-cash working capital (Note 8)	159	291
Cash flow from (used in) investing	5	(1,241)
Foreign exchange gain on cash held in a foreign currency	48	–
Decrease in cash and short term deposits	(578)	(848)
Cash and short term deposits, beginning of period	2,676	7,852
Cash and short term deposits, end of period	$ 2,094	$ 7,004

	2009	**2008**
Interest received	$ 4	$ 37

See accompanying notes to consolidated financial statements.

1. INCORPORATION:

Bengal Energy Ltd (the "Company" or "Bengal") 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. GOING CONCERN:

The Company's ability to continue as a going concern is dependent upon obtaining the necessary financing to complete development activities and generate profitable operations from its oil and natural gas interests in the future. The Company's financial statements as of and for the three months ended June 30, 2009 have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company incurred a net loss of $0.9 million for the three months ended June 30, 2009 and has had losses in the previous eight quarters. The Company expects to incur expenditures to further its capital investment programs and based on its current forecasts of production volumes and commodity pricing, the Company expects that sufficient liquidity exists to satisfy its obligations for the period ending June 30, 2010, and meet its capital investment commitments. In the event that the Company is unable to make the future work commitment payments on certain of its permits, the Company's existing capital investment on those permits of $366,000 in India and $250,000 in Australia may be forfeited and considered in the assessment of impairment in the consolidated financial statements of the Company.

Should the going concern assumption not be appropriate, certain asset and liability amounts would require adjustment and reclassification and such adjustments and reclassifications may be material.

3. SIGNIFICANT ACCOUNTING POLICES:

The interim 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, 2009, 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, 2009.

Future Accounting Changes

In May 2009, the CICA amended Section 3862, “Financial Instruments – Disclosures,” to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three level hierarchy that reflects the significance of the inputs used in making fair value measurements. Fair value of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement. These amendments are effective for Bengal on March 31, 2010.

4. PETROLEUM AND NATURAL GAS PROPERTIES

($000s)	Cost	Accumulated depletion & depreciation	Net book value
June 30, 2009			
Australia			
Petroleum and natural gas properties	$ 18,503	$ 15,292	$ 3,211
Other assets	56	42	14
Canada			
Petroleum and natural gas properties	6,834	2,474	4,360
Other assets	525	279	246
Other			
Petroleum and natural gas properties	803	–	803
	$ 26,721	$ 18,087	$ 8,634
March 31, 2009			
Australia			
Petroleum and natural gas properties	$ 18,389	$ 15,057	$ 3,332
Other assets	56	39	17
Canada			
Petroleum and natural gas properties	6,796	2,176	4,620
Other assets	525	260	265
Other			
Petroleum and natural gas properties	801	–	801
	$ 26,567	$ 17,532	$ 9,035

Undeveloped property costs of $3.2 million (2008 - $3.8 million) have been excluded from the depletion calculation. Future development costs of proven reserves of $50,000 (2008 – nil) are included in the depletion calculation.

5. ASSET RETIREMENT OBLIGATIONS

The Company’s asset retirement obligations result from ownership interests in petroleum and natural gas assets. The Company estimates the total inflation adjusted undiscounted amount of cash flow required to settle its asset retirement obligations at June 30, 2009 is approximately $281,000 (March 31, 2009 - $301,000) which will be incurred between 2009 and 2024. An inflation factor of 2.0% has been applied to the estimated asset retirement cost at June 30, 2009 and March 31, 2009. A credit-adjusted risk-free rate of between 7% and 10% was used to calculate the fair value of the asset retirement obligations at June 30, 2009 and March 31, 2009.

A reconciliation of the asset retirement obligations is provided below:

($000s)	Three months ended June 30, 2009	Year ended March 31, 2009
Balance, beginning of period	$ 179	$ 180
Revisions	–	(17)
Liabilities settled	(21)	(12)
Liabilities incurred	–	16
Accretion	4	12
Balance, end of period	$ 162	$ 179

6. 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 consolidation):

($000s)	Number of shares	Amount
Balance March 31, 2008	**18,197,783**	**$ 43,438**
Issued on exercise of stock options	15,000	22
Balance March 31, 2009 and June 30, 2009	**18,212,783**	**$ 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. All information included in these financial statements is calculated and presented subsequent to the one-for-five consolidation.

(c) Stock based compensation - warrants:

On February 13, 2008 Bengal 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 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 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.

(unaudited)

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

($000s)	Number of warrants	Amount
Balance March 31, 2008	**940,000**	**$ 31**
Amortization of warrant fair value	–	198
Balance March 31, 2009	**940,000**	**$ 229**
Amortization of warrant fair value	–	40
Balance June 30, 2009	**940,000**	**$ 269**

(d) Stock based compensation – 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, 2008	**1,142,373**	**$ 2.90**
Granted	685,000	0.36
Exercised	(15,000)	1.50
Expired	(16,007)	2.08
Forfeited	(231,000)	2.82
Outstanding at March 31 and June 30, 2009	**1,565,366**	**$ 1.81**
Exercisable at June 30, 2009	1,082,705	$ 2.43

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, 2009	Year ended March 31, 2009
Assumptions:		
Risk free interest rate (%)	–	2.0%
Expected life (years)	–	5 yr
Expected volatility (%)	–	60 %
Vesting period (years)	–	2 yr
Results:		
Weighted average fair value of options granted	$ –	$ 0.19

The fair value of stock options granted during the year ended March 31, 2009 was estimated to be $0.1 million. No stock options were granted in the three months ended June 30, 2009.

(e) Contributed surplus

A reconciliation of contributed surplus is provided below:

($000s)	Three months ended June 30, 2009	Year ended March 31, 2009
Balance, beginning of period	**$ 3,577**	**$ 3,341**
Stock-based compensation expense	16	236
Balance, end of period	**$ 3,593**	**$ 3,577**

(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 following summarizes the common shares used in calculating per share amounts:

	Three months ended June 30, 2009	June 30, 2008
Weighted average shares outstanding		
Basic and diluted	18,212,783	18,209,326

The reconciling items between basic and diluted average common shares outstanding are stock options and warrants. At June 30, 2009 all stock options and warrants were anti-dilutive.

7. 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 short term deposits, 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, 2009 Bengal's receivables consisted of $0.8 million (March 31, 2009 - $0.4 million) from joint venture partners, $0.1 million (March 31, 2009 - $0.1 million) of receivables from petroleum and natural gas marketers and

$0.1 million (March 31, 2009 - $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 and liquids production through large publically traded companies. Oak production is marketed by the operator. Bengal has contracts with its gas and liquids marketers 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 one of Australia's largest public oil and gas companies which is also the operator of Bengal's production. Bengal has a Crude Oil Purchase Agreement with this purchaser and has not experienced any collection problems to date.

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

At June 30, 2009, the Company had no receivables that were considered past due (past due is considered greater than 90 days outstanding).

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, 2009 and did not provide for any doubtful accounts nor was it required to write-off any receivables during the year ended March 31, 2009 or the three months ended June 30, 2009.

Cash and short term deposits, 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.

(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 $1.4 million at June 30, 2009. Bengal has $2.1 million in cash and a net working capital surplus of $1.8 million at June 30, 2009.

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 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 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 June 30, 2009 and June 30, 2008.

The Company may enter into derivative foreign currency contracts in order to manage foreign currency exchange rate risk, but has not done so to date.

The table below shows the Company's exposure to foreign currencies for its financial instruments:

As at June 30 , 2009 ($000s)	**Total**	**CAD**	**AUD**	**USD**
				CAD $ Equivalent
Cash and short term deposits	2,098	1,305	605	188
Accounts receivable	996	188	506	302
Accounts payable and accrued liabilities	(1,441)	(247)	(1,194)	–
Balance sheet exposure	1,653	1,246	(83)	490

A five percent strengthening or weakening of the CAD$ would have no material impact on earnings.

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, 2009 and March 31, 2009.

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, 2009 there would be no material impact on earnings and cash flow. The Company had no interest rate swaps or hedges at June 30, 2009 and March 31, 2009.

(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.

8. CHANGES IN NON-CASH WORKING CAPITAL

Three months ended June 30 ($000s)		**2009**		**2008**
Accounts receivable and prepaid expenses	$	(154)	$	(1,079)
Accounts payable and accrued liabilities		1		912
Total	$	(153)	$	(167)
Relating to:				
Operating	$	(309)	$	(222)
Financing		(3)		(236)
Investing		159		291
Total	$	(153)	$	(167)

9. COMMITMENT

At June 30, 2009 the Company had the following lease commitment for office space in Canada:

($000s)		
Fiscal 2010 – July 2009 to March 2010	$	94
Fiscal 2011 – April to July 2010		42
	$	136

In order to retain the license on certain blocks, the Company is committed to spend funds over the next fiscal year in the normal course of business.

(unaudited)

10. SEGMENTED INFORMATION

Three months ended June 30, 2009 ($000s)	**Australia**	**Canada**	**Other**	**Total**
Revenue, net of royalties	$ 271	$ 238	$ –	$ 509
Loss for period	(168)	(650)	(47)	(865)
Petroleum and natural gas properties				
Cost	$ 18,559	$ 7,359	$ 803	$ 26,721
Accumulated depletion, depreciation and amortization	(15,334)	(2,753)	–	(18,087)
Net Book Value	$ 3,225	$ 4,606	$ 803	$ 8,634
Petroleum and natural gas property expenditures	$ 114	$ 38	$ 2	$ 154
Goodwill	$ –	$ –	$ –	$ –

Three months ended June 30, 2008 ($000s)	**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

CORPORATE INFORMATION

AUDITORS
KPMG LLP • Calgary, Canada

LEGAL COUNSEL
Borden Ladner Gervais • Calgary, Canada
Allens Arthur Robinson • Brisbane, Australia

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
Edwin (Ted) S. Hanbury
Judith A. Stripling
Ian J. Towers

GOVERNANCE AND DISCLOSURE COMMITTEE
All Directors are members of the Committee

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

RESERVES COMMITTEE
Richard N. Edgar
Edwin (Ted) S. Hanbury
Ian J. Towers

COMPENSATION COMMITTEE
Richard Edgar
Edwin (Ted) S. Hanbury
Judith A. Stripling
Ian J. Towers

OFFICERS
Bradley G. 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