International exploration & production

Management's Discussion & Analysis

Three and Six Months Ended
September 30, 2010 and 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS – November 11, 2010

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 accompanying notes for the three months ended September 30, 2010 and the audited consolidated financial statements and accompanying notes for the years ended March 31, 2010 and 2009.

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

Basis of Presentation - The financial statements and 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 definitions are used in this MDA: boe/d means barrels of oil equivalent per day; bbl/d means barrels per day and mcf/d means thousand cubic feet per day.

Barrels of oil equivalent - When converting natural gas to barrels of oil equivalent (boe), Bengal uses the widely recognized standard of 6 thousand cubic feet (Mcf) of natural gas to one barrel of oil (bbl). Bengal cautions that boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

This MD&A and accompanying financial statements and notes are for the three-month period ended September 30, 2010. The terms "current quarter" and "the quarter" are used throughout the MD&A and in all cases refer to the period from July 1, 2010 through September 30, 2010. The term "prior year's quarter" is used throughout the MD&A for comparative purposes and refers to the period from July 1, 2009 through September 30, 2009. The term "prior quarter" refers to the three months ended June 30, 2010.

The fiscal year for the Company is the 12-month period ended March 31, 2011. The terms "fiscal 2011," "current year" and "the year" are used in the MD&A and in all cases refer to the period from April 1, 2010 through March 31, 2011. The terms "previous year," "prior year" and "fiscal 2010" are used in the MD&A for comparative purposes and refer to the period from April 1, 2009 through March 31, 2010.

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 (loss) 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, 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			Six Months Ended	
$000s	**09/30/10**	09/30/09	06/30/10	**09/30/10**	09/30/09
Cash flow from (used in) operations	**(460)**	(263)	(570)	**(1,030)**	(893)
Abandonment expenditures	**-**	-	-	**-**	21
Changes in non-cash working capital	**(12)**	(32)	24	**12**	279
Funds from (used in) operations	**(472)**	(295)	(546)	**(1,018)**	(593)

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 and assumptions 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.*

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

- *Oil and natural gas production levels;*
- *The size of the oil and natural gas reserves;*
- *Projections of market prices and costs;*
- *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 and estimates of costs;*
- *Expectations that Bengal's future realized gas and oil prices will coincide with the B.C Station 2 and TAPIS daily index prices;*
- *Funding of working capital requirements, commitments and other planned expenses will be by cash on hand, cash flows, farm-outs, joint ventures or share issues and funds will be sufficient to meet requirements;*
- *Continuation of exploration and development activities on Block CY-ONN-2005/1 and whether identified play types on this Block will be prospective;*
- *That reprocessing and acquisition of seismic will occur on Block CY-OSN-2009/1;*
- *Continuation of exploration, development and drilling activities on Permits AC/P47 and AC/P24 offshore Australia;*
- *Closing of the acquisition of ATP 732P and obtaining Native Title Agreement on ATP 934P in Australia; and*
- *That the Cuisinier appraisal well and a carried farm-in well on the Wompi Block will be drilled by the Santos Joint Venture on ATP 752P; and*

- *That upon completion of the Barta North earning well, Bengal's share of production will increase by 43 barrels per day and its interest in the permit will increase from 14.26% to 25%.*

With respect to the forward-looking statements contained in the MD&A, Bengal has made assumptions regarding: future commodity prices; the impact of royalty regimes; the timing and the amount of capital expenditures; production of new and existing wells and the timing of new wells coming on stream; future operating expenses including processing and gathering fees; the performance characteristics of oil and natural gas properties; the size of oil and natural gas reserves; the ability to raise capital; the continued availability of undeveloped land and skilled personnel; the ability to obtain equipment in a timely manner to carry out exploration and development activities; the ability to obtain financing on acceptable terms; the ability to add production and reserves through exploration and development activities; the general economic conditions in Canada, the United States, India and Australia, and the continued stability of political, regulatory, tax and fiscal regimes in jurisdictions in which the Company has operations.

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 assessment of the value of acquisitions;*
- *Unable to meet commitments due to inability to raise funds or complete farm-outs;*
- *Geological, technical, drilling and processing problems;*
- *Changes in income tax laws or changes to royalty and environmental regulations relating to the oil and gas industry;*
- *The risk that Bengal may not be successful in raising funds by an equity issue or otherwise; and*
- *Counter-party credit risk, stock market volatility and market valuation of Bengal's stock.*

Statements relating to "reserves" or "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, 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 on these and other factors that could affect Bengal's operations and financial results are included in reports on file with Canadian securities authorities and may be accessed through the SEDAR website (www.sedar.com) and at Bengal's website (www.bengalenergy.ca).

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.

HIGHLIGHTS

$000s except per share, volumes and netback amounts	Three Months Ended			Six Months Ended	
	09/30/10	09/30/09	06/30/10	**09/30/10**	09/30/09
Revenue					
Natural gas	**$ 127**	$ 218	$ 125	**$ 252**	$ 437
Natural gas liquids	**16**	67	21	**37**	123
Oil	**240**	220	203	**443**	519
Total	**383**	505	349	**732**	1,079
Royalties	**40**	74	28	**68**	139
% of revenue	**10.5**	14.8	8.1	**9.4**	12.9
Operating & transportation	**220**	230	179	**399**	476
Netback[1]	**123**	201	142	**265**	464
Cash flow from (used in) operations:	**(460)**	(263)	(570)	**(1,030)**	(893)
Per share ($) (basic & diluted)	**(0.02)**	(0.01)	(0.03)	**(0.05)**	(0.05)
Funds from (used in) operations:[2]	**(472)**	(295)	(546)	**(1,018)**	(593)
Per share ($) (basic & diluted)	**(0.02)**	(0.02)	(0.03)	**(0.05)**	(0.03)
Net (loss):	**(684)**	(1,848)	(751)	**(1,435)**	(2,713)
Per share ($) (basic & diluted)	**(0.04)**	(0.10)	(0.04)	**(0.08)**	(0.15)
Capital expenditures	**$ 174**	$ (426)	$ 93	**$ 267**	$ (272)
Volumes					
Natural gas (mcf/d)	**366**	787	381	**371**	736
Natural gas liquids (boe/d)	**5**	17	4	**4**	16
Oil (bbl/d)	**36**	36	27	**31**	40
Total (boe/d @ 6:1)	**102**	184	94	**97**	179
Netback[1] ($/boe)					
Revenue	**$ 41.59**	$ 29.70	$ 40.63	**$ 41.13**	$ 32.99
Royalties	**4.38**	4.39	3.28	**3.85**	4.26
Operating & transportation	**23.88**	13.54	20.81	**22.40**	14.55
Total	**$ 13.33**	$ 11.77	$ 16.54	**$ 14.88**	$ 14.18

[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 boes See "Non-GAAP Measurements" on page 1 of this MD&A..

[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 2. See "Non-GAAP Measurements" on page 1 of this MD&A.

RESULTS OF OPERATIONS

Production

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

Production	Three Months Ended			Six Months Ended	
	09/30/10	09/30/09	06/30/10	**09/30/10**	09/30/09
Natural gas (mcf/d)	**366**	787	381	**371**	736
NGLs (boe/d)	**5**	17	4	**4**	16
Oil (bbls/d)	**36**	36	27	**31**	40
Total (boe/d)	**102**	184	94	**97**	179

For the three months ended September 30, 2010, production averaged 102 boe/d, a decrease of 44% from the 184 boe/d produced in the comparable prior year quarter. The decrease in production is due to the sale of four Kaybob gas wells in Canada in September 2009. The Kaybob wells contributed 337 mcf/d (56 boe/d) of gas volumes and 14 boe/d of liquids volumes in the prior period.

YTD 2011 production averaged 97 boe/d which is down 46% from YTD 2010. As noted above, the decline in production is due to the sale of the Kaybob gas wells.

Oil production increased from 27 bbl/d in the three months ended June 30, 2010 to 36 bbl/d in the current quarter due to start-up of Cuisinier production on the Barta Block in the Cooper Basin of Australia in June 2010. Production has been constrained to date on the new Cuisinier well due to temporary delays related to road access, initial production start-up issues and production infrastructure limitations resulting in an average of 19 producing days per month since start of operations.

Pricing

Bengal's realized price for its Australian oil production is based on the Asia Petroleum Price Index (APPI) 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. Tapis historically has traded at a premium to West Texas Intermediate (WTI). Realized Canadian prices are lower in the current quarter due to a declining US dollar.

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.

NGLs 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**	
	09/30/10	09/30/09	06/30/10	**09/30/10**	09/30/09
Average Benchmark Prices					
AECO 30 day firm ($/mcf)	**$ 3.72**	$ 3.03	$ 3.86	**$ 3.79**	$ 3.34
TAPIS oil ($US/bbl)	**81.13**	71.69	81.34	**81.23**	69.63
Cdn/Aus exchange rate	**0.94**	0.91	0.91	**0.92**	0.90
WTI oil ($US/bbl)	**$ 76.17**	$ 68.29	$ 77.99	**$ 77.08**	$ 63.98
Bengal's Realized Price ($CAD)					
Natural gas ($/mcf)	**$ 3.81**	$ 3.01	$ 3.60	**$ 3.70**	$ 3.24
Oil ($/bbl)	**73.00**	65.53	83.66	**77.53**	71.09
NGLs ($/bbl)	**42.63**	42.72	55.66	**49.16**	41.56
Total ($/boe)	**$ 41.59**	$ 29.70	$ 40.63	**$ 41.13**	$ 32.99

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 ($000s)	**Three Months Ended**			**Six Months Ended**	
	09/30/10	09/30/09	06/30/10	**09/30/10**	09/30/09
Natural gas	**$ 127**	$ 218	$ 125	**$ 252**	$ 437
NGLs	**16**	67	21	**37**	123
Oil	**240**	220	203	**443**	519
Total	**$ 383**	$ 505	$ 349	**$ 732**	$ 1,079

Petroleum and natural gas sales in the current quarter declined 24% or $122,000 from the prior comparable quarter. The decrease in sales revenue is due to lower gas volumes due to sale of the Kaybob gas wells slightly offset by an increase in realized prices.

YTD 2011 revenue declined 32% or $347,000 from YTD 2010 due to sale of the Kaybob gas wells and natural declines from the Toparoa oil well partially offset by start up of Cuisinier oil production in June 2010 and an increase in realized prices.

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. Bengal also paid a 7.5% gross overriding royalty (GORR) on two of the Kaybob gas wells. The Company no longer has any Alberta production due to the sale of the Kaybob gas property in September 2009.

In British Columbia, royalties are calculated based on average daily production from a well multiplied by a reference price. Bengal also pays a GORR to the landholder of between 7.5% and 10% on its Oak gas wells.

In Australia, oil royalties are based on a government-established rate of 10% plus a Native Title royalty which is typically 1%. 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 10%.

Royalties by Type ($000s)	**Three Months Ended**			**Six Months Ended**	
	09/30/10	09/30/09	06/30/10	**09/30/10**	09/30/09
Canada Crown	**$ 9**	$ 40	$ 3	**$ 12**	$ 58
Canada gross overriding	**8**	12	6	**14**	31
Australian Government	**23**	22	19	**42**	50
Total	**$ 40**	$ 74	$ 28	**$ 68**	$ 139
$/boe	**4.38**	4.39	3.28	**3.85**	4.26
% of revenue	**10.5**	14.8	8.1	**9.4**	12.9
Royalties by Commodity	**Three Months Ended**			**Six Months Ended**	
	09/30/10	09/30/09	06/30/10	**09/30/10**	09/30/09
Natural gas					
$000s	**$ 14**	$ 46	$ 5	**$ 19**	$ 62
$/mcf	**0.43**	0.64	0.15	**0.29**	0.46
% of revenue	**11.2**	21.4	4.3	**7.7**	14.3
Oil					
$000s	**$ 23**	$ 22	$ 19	**$ 42**	$ 50
$/bbl	**6.90**	6.59	7.81	**7.29**	6.91
% of revenue	**9.5**	10.1	9.3	**9.4**	9.7
NGLs					
$000s	**$ 3**	$ 6	$ 4	**$ 7**	$ 27
$/bbl	**9.28**	3.77	10.20	**9.79**	8.89
% of revenue	**21.8**	8.8	18.4	**19.9**	21.4

For the second quarter of the 2011 fiscal year, royalties were 49% or $34,000 lower than the previous comparable period due to lower gas production volumes.

YTD 2011 royalties declined $71,000 or 51% from the prior year comparable period due to lower production volumes and a $14,000 gas Crown royalty credit related to prior years and received in the current YTD period.

Operating & Transportation Expenses

Operating and transportation expenses in the current quarter remained relatively unchanged at $220,000 compared to $230,000 in the prior year quarter. Canadian costs declined due to the sale of the Kaybob property in September 2009 whereas Australian operating costs increased due to commencement of the

Cuisinier well. The Cuisinier well has relatively higher operating costs than the Toparoa well due to trucking and road maintenance costs at Cuisinier whereas Toparoa oil is pipelined.

Operating costs increased by $10.34 per boe in the current quarter compared to the prior year quarter. The increase is due to higher cost Cuisinier oil volumes and a one-time charge against the Company's Oak gas property for two years of B.C. carbon taxes ($14,000).

YTD operating and transportation costs decreased by $77,000 due to the Kaybob sale but increased $7.85 per boe due to higher cost oil volumes from the Cuisinier well which commenced production in June, 2010.

Transportation costs in Australia are incurred to transport Bengal's oil production via trucking and through pipelines from various processing facilities to the centralized Moomba facility which accepts production from 115 gas fields and 39 oil fields through approximately 5,600 kilometres of pipelines. The oil is then sent through a pipeline to Port Bonython, South Australia.

Operating Expenses ($000s)	Three Months Ended			Six Months Ended	
	09/30/10	09/30/09	06/30/10	**09/30/10**	09/30/09
Australia					
Operating	**$ 58**	$ 20	$ 50	**$ 108**	$ 37
Transportation	**54**	48	38	**92**	102
	112	68	88	**200**	139
Canada – Operating costs	**108**	162	91	**199**	337
Total	**$ 220**	$ 230	$ 179	**$ 399**	$ 476
Australia					
Operating - $/boe	**17.66**	6.13	20.37	**18.81**	5.09
Transportation - $/boe	**16.29**	14.32	15.73	**16.05**	14.04
Canada - $/boe	**18.27**	11.85	14.78	**16.49**	13.24
Total ($boe)	**$ 23.88**	$ 13.54	$ 20.81	**$ 22.40**	$ 14.55

General and Administration (G&A) Expenses

In the current quarter, G&A expenses increased by 8% or $44,000 over the prior year quarter and G&A per boe increased by $31.01 over the same period. While expenses in the current quarter increased only marginally overall, on a boe basis they increased significantly due to lower production volumes resulting from the sale of the non-operated Kaybob property.

YTD G&A expenses increased by 20% or $208,000 and on a per boe basis increased by $38.57 or 120%. The increase in YTD expenses and boe costs is due to increased consulting and evaluation costs incurred on the Company's significantly larger land base and lower production volumes.

General and Administrative Expenses ($000s)	Three Months Ended			Six Months Ended	
	09/30/10	09/30/09	06/30/10	**09/30/10**	09/30/09
G&A	**$ 571**	$ 527	$ 687	**$ 1,258**	$ 1,050
G&A ($/boe)	**$ 62.00**	$ 30.99	$ 79.96	**$ 70.67**	$ 32.10

Stock-Based Compensation

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

Bengal recognized stock-based compensation expense of $57,000 in the current quarter and $107,000 YTD compared to $16,000 in the prior year quarter and $32,000 prior YTD. The increase in the quarterly and YTD expense is due to amortization of the fair value of options granted in December 2009 and due to an increase in expected volatility used to calculate those option's fair value.

Stock-Based Compensation ($000s)	Three Months Ended			Six Months Ended	
	09/30/10	09/30/09	06/30/10	**09/30/10**	09/30/09
SBC - options	**$ 57**	$ 16	$ 50	**$ 107**	$ 32
SBC - warrants	**54**	114	54	**108**	154
Stock-based compensation	**$ 111**	$ 130	$ 104	**$ 215**	$ 186

Bengal recorded stock-based compensation related to outstanding warrants of $54,000 for the three months ended September 30, 2010 (September 30, 2009 - $114,000). At September 30, 2010 there is $107,000 of fair value related to the warrants to be amortized.

Depletion, Depreciation and Accretion (DD&A)

DD&A Expenses ($000s)	Three Months Ended			Six Months Ended	
	09/30/10	09/30/09	06/30/10	**09/30/10**	09/30/09
DD&A – Australia	**$ 67**	$ 75	$ 43	**$ 110**	$ 314
DD&A – Canada	**54**	369	55	**109**	689
Total	**$ 121**	$ 444	$ 98	**$ 219**	$ 1,003
$/boe – Australia	**20.46**	22.57	17.76	**19.31**	43.04
$/boe – Canada	**9.03**	27.07	8.98	**9.01**	27.14
$/boe – Total	**$ 13.12**	$ 26.18	$ 11.46	**$ 12.32**	$ 30.69

Depletion, depreciation and accretion (DD&A) decreased by $323,000 or $13.06 per boe for the three months ended September 30, 2010 over the comparable prior year's period. The decrease in DD&A expense is mainly due to lower production volumes and a smaller depletable cost pool in Canada due to the sale of Kaybob. The lower DD&A rate per boe is due to upward reserve revisions reflected in the March 31, 2010 reserve report.

DD&A expense for the six months ended September 30, 2010 decreased $784,000 or 78% compared to the prior year period while DD&A per boe decreased $18.37 or 60%. The decreases are due to lower production volumes, lower depletable costs and upward reserve revisions as discussed above.

Bengal has excluded $3.1 million from the depletion base related to Australian unproved properties at September 30, 2010 (June 30, 2010 - $3.0 million) and has $0.6 million related to the new India cost centre (June 30, 2010 - $0.6 million) which are assets considered in the preproduction stage and are not subject to depletion.

Funds from (used in) Operations and Net Loss

For the three months ended September 30, 2010 funds used in operations totaled $472,000 compared to funds used in operations of $295,000 in the prior comparable period. Funds used in operations for the six months ended September 30, 2010 was $1,018,000 compared to $593,000 in the prior comparable period. The changes in non-cash working capital associated with operating activities and abandonment expenditures are added back to the GAAP measure cash flow used in operations to arrive at the non-GAAP measure funds used in operations.

In the current quarter the Company had a net loss of $684,000 compared to a net loss of $1,848,000 in the prior year comparable quarter. On a year-to-date basis, the Company had a current YTD net loss of $1,435,000 compared to a net loss of $2,713,000 in the prior comparable YTD period.

CAPITAL EXPENDITURES

Geological and geophysical expenses total $175,000 for the quarter ended September 30, 2010 and $267,000 for the six month YTD period. These costs relate to seismic acquisition, interpretation and analysis on Company's 2.3 million net acre land base.

Capital Expenditures ($000s)	Three Months Ended			Six Months Ended	
	09/30/10	09/30/09	06/30/10	**09/30/10**	09/30/09
Geological and geophysical	**$ 175**	$ 168	$ 93	**$ 267**	$ 320
Drilling	**-**	(594)	-	**-**	(594)
Completions	**-**	-	-	**-**	2
Total oil and gas additions	**175**	(426)	93	**267**	(272)
Property disposition	**-**	(2,111)	-	**-**	(2,111)
Total expenditures	**$ 175**	$ (2,537)	$ 93	**$ 267**	$ (2,383)

Ceiling Test

No impairment was recognized under the ceiling test at September 30, 2010. The future commodity prices used in the ceiling test were based on the latest commodity price forecasts of the Company's independent reserve engineers adjusted for differentials specific to the Company's reserves. Natural gas prices have declined slightly since year end which has had the impact of a marginal reduction in the available cushion under the ceiling test.

SHARE CAPITAL

Bengal has an unlimited number of common shares authorized for issuance. On November 11, 2010 there were 30,261,813 common shares issued and outstanding.

In September 2010, Bengal closed a short form prospectus offering whereby 12,000,000 common shares were issued at a price of $1.00 per share. The proceeds, net of share issue costs of $985,000, were $11,015,000.

In the period from March 31, 2010 up to the date of this report, 75,002 options were exercised on a cashless basis resulting in the issuance of 49,030 common shares, 38,000 options expired and 58,333 options were forfeited.

At November 11, 2010, there were 1,630,667 employee stock options outstanding with an average exercise price of $1.40 per share. Of these, 1,026,004 are exercisable at an average price of $1.66 per share. These options expire between 2010 and 2014 with an average remaining life of 2.25 years.

At November 11, 2010 there are 940,000 common share purchase warrants outstanding of which 627,000 are vested. Each Bengal warrant shall vest and be exercisable as to one-third of the warrants on each of the first, second and third anniversaries of issuance or immediately 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.

Trading History	Three Months Ended			Six Months Ended	
	09/30/10	09/30/09	06/30/10	**09/30/10**	09/30/09
High	**$ 1.28**	$ 0.61	$ 1.72	**$ 1.72**	$ 0.84
Low	**0.92**	0.30	1.02	**0.92**	0.27
Close	**$ 1.05**	$ 0.49	$ 1.22	**$ 1.05**	$ 0.49
Volume (000s)	**1,011**	374	711	**1,722**	1,283
Shares outstanding Basic and diluted	**30,238**	18,213	18,238	**30,238**	18,213
Weighted average shares outstanding Basic and diluted	**19,317**	18,213	18,225	**18,744**	18,213

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2010 the Company had working capital of $11.0 million, including cash and short term deposits of $11.3 million and restricted cash of $0.1 million, compared to working capital of $1.3 million, including cash and short term deposits of $1.1 million and restricted cash of $0.5 million at March 31, 2010.

The Company's ability to continue operations and fund its liabilities is dependent on management's ability to secure additional financing and the timing of cash flow pursuant to its capital program. Management is pursuing such additional sources of financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. If the Company is unable to secure additional financing to fund its future work commitments on certain of its permits (see Note 10), the Company may be forced to curtail some exploration and development activities, which could result in the forfeiture of the related permits and necessitate the write-off of expenditures incurred on the related permits.

Contractual Arrangements

Work Programs

Pursuant to current production sharing contracts (PSC) and other joint venture agreements, the Company is required to perform minimum exploration activities that include various types of surveys, acquisition and processing of seismic data and drilling of exploration wells. The costs of these activities are based on minimum work budgets included in bid documents and have not been provided for in the financial statements. Actual costs will vary from budget.

Country and Permit	Work Program	Obligation Period Ending	Estimated Expenditure (net) (millions CAD$)[1]
Offshore Australia – AC/P47	985km 2D seismic reprocessing & 750km^2 3D seismic	March 2, 2012	$9.1
Offshore Australia – AC/P24	Drill 1 exploration well	October 11, 2011	$2.3
Onshore India – CY-ONN-2005/1	500km^2 3D seismic & 3 wells	March 3, 2014	$5.5
Offshore India – CY-OSN-2009/1	310km 2D seismic & 81km^2 3D seismic	August 15, 2014	$2.1
Onshore Australia – ATP 752	Drill 3 exploration wells & 1 development well[2]	December 31, 2012	$3.3
Onshore Australia – ATP 934P	Awaiting completion of Native Title before granting of ATP[3]	4 years after grant of ATP	$11.7

[1] Translated at September 30, 2010 exchange rate of US $1.00 = CAD $1.02 and AUD $1.00 = CAD $1.00.

[2] Bengal to pay 55% of Barta North earning well, currently drilling, to complete its commitment under the Barta Block phase of the farm-in agreement and increase its interest in the Barta Block from 14.26% to 25%. Two carried wells are then paid 100% by the operator as part of the Wompi Block farm-in agreement. The Company will then pay 60% of the costs of one Wompi well to complete its commitment under the Wompi Block phase of the farm-in agreement and increase its interest in the Wompi Block to 30%. If any of the Barta or Wompi Block wells are successful, the Company will pay its working interest share (Barta 25%; Wompi 30%) of casing, completing and equipping costs on these wells.

[3] Currently negotiating Native Title Agreement with the Wongkumara People of Queensland. The Native Title Agreement is then submitted to the Government of Queensland for approval and granting of the Authority to Prospect (ATP). Work program consists of 500km of 2D seismic and up to seven wells.

Bengal is pursuing joint venture or farm-out arrangements to finance its exploration commitments under some of these licenses.

Purchase & Sale Agreement – Onshore Australia Block ATP 732P

On December 10, 2009 Bengal entered into a Purchase & Sale Agreement and upon satisfaction of all conditions in the agreement, Bengal will be required to pay AUD$1.0 million to acquire 100% interest in ATP 732P. Upon closing of this acquisition, Bengal will be required to complete a minimum work program consisting of one exploration well and 100km 2D seismic over four years at an estimated cost of $2.5 million.

Guarantees – India Permits

($000s) CAD	Six Months Ended September 30, 2010	Year ended March 31, 2010
	09/30/10	03/31/10
CY-ONN-2005/1 – Onshore India	$ 515	$ 515
CY-OSN-2009/1 – Offshore India	156	-
Total Guarantees	**$ 671**	**$ 515**

These performance guarantees are not reflected in the balance sheet as they are supported by Export Development Canada.

Other

At September 30, 2010 the Company had the following lease commitment for office space in Canada:

($000s)	
Fiscal 2011 – October 2010 to March 2011	$ 63
Fiscal 2012 – April 2011 to March 2012	127
	$ 190

RELATED PARTY TRANSACTIONS

For the three and six months ended September 30, 2010, the Company paid $6,250 and $22,500 respectively (2009 - $nil, and $20,850, respectively) in consulting fees and travel costs to a director of the Company and to a company controlled by a director. The fees were paid in the ordinary course of business based on market rates and were for international consulting services. At September 30, 2010, the Company has an accounts payable balance of $nil (2009 - $nil) payable to this director.

SUBSEQUENT EVENTS

In October 2010, 33,335 stock options were exercised based on a cashless exercise whereby 24,030 common shares were issued based on a market share price of $1.29 per share on the date of exercise.

OFF BALANCE SHEET TRANSACTIONS

The Company does not have any off balance sheet transactions.

OUTLOOK

After an extended period of land and seismic acquisition Bengal Energy has begun the drilling exploration phase on its 2.2 million net acres in India and Australia. The Company's 89%-operated acreage provides a portfolio of relatively low-risk development drilling in Australia's onshore Cooper Basin to high-impact

offshore exploration drilling north of Australia in the Timor Sea and in India's Cauvery Basin. These drilling opportunities are expected to provide Bengal with a path to material production and cash flow.

AUSTRALIA- Onshore

The first well of a three well drilling program is underway on the Barta block at the Barta North location. Bengal is paying 55% of the cost of this well and upon its completion the Company will have completed its earning and its working interest in the Barta block will increase to 25%. This is a very unique situation whereby not only will the Company increase its interest in the 360,570 acre Barta land position but will also increase its interest from the current 14.26% to a full 25% in the producing Cuisinier oil discovery. The Barta North well will be followed by an appraisal well offsetting the producing Cuisinier well. Bengal is fully carried on this appraisal well. A further fully carried well on the Wompi block is planned for Q2 2011. Production from Bengal's Cuisinier-1 oil discovery commenced in May 2010. The Cuisinier-1 well, is currently producing approximately 400 barrels per producing day of 52 degree API oil with minimal water. Upon completion of the Barta North well, Bengal's share of production will increase by an immediate additional 43 barrels of oil per day and by an increased opportunity value in the continuing development program of the Cuisinier discovery. Bengal's interpretation of 3D seismic data suggests multiple exploration and exploitation opportunities on the block for dual objective Hutton and Murta targets.

Also in the Cooper Basin, Bengal is awaiting approval to proceed with exploration activities at ATP 732P. This extensive 100% working interest block of 654,321 acres near producing oil and gas fields is subject to the grant of an Authority to Prospect by the government of the state of Queensland. This grant is expected early in 2011.

Australia - Timor Sea

Following a detailed technical review and a recent Technical Committee meeting in Perth, Australia, Bengal and its partners have agreed to drill the seismically defined four way closed structure at the Marshall Withers location. This location is inboard from the original Katandra discovery and is expected to be drilled using a semi submersible drilling rig during the second quarter of 2011. The location is approximately 300 kilometres off the north coast of Australia in water depth of approximately 110 meters. The well will be operated by the Thailand National Oil Company (PTTEP) with Bengal paying its unpromoted 10% working interest share. Marshall Withers is a robust fault bounded structure which is defined by multiple generations of 2D and 3D seismic surveys.

INDIA - Offshore

Evaluation work has begun on the large (340,000 acre) 100% owned and operated Production Sharing Agreement CY-OSN-2009/1 in India's offshore Cauvery basin. The first year work program includes reprocessing all available seismic records and acquiring certain 2D regional surveys.

INDIA - Onshore

On Bengal's 30% working interest, 233,000 acre Production Sharing Agreement CY-ONN-2005/1, work is well underway on the first year work program. Activities will include acquisition, processing and interpretation of airborne magnetometry data and reprocessing of existing 2D seismic data. The work program for the first year also includes the planning and commencement of a large 3D seismic program, of which 250 sq. km. of 3D seismic data acquisition is planned prior to the end of the first quarter of calendar year 2011.

SUMMARY

Following its recently completed and fully subscribed $12 million dollar prospectus offering, Bengal's growth plan includes both lower-risk and high-impact onshore and offshore drilling opportunities in India and Australia. Given the depth and prospectivity of its international prospects, Bengal will continue to seek suitable financial and operating partners to help accelerate the path to material production.

In addition, the company continues to evaluate accretive production acquisition and corporate transaction opportunities in both Australia and India.

The company welcomes the recent additions to its Board of Directors and wishes to thank Mr. Bradley Johnson, who recently resigned, for his strong contribution to the value creation process on behalf of all Bengal shareholders.

SELECTED QUARTERLY INFORMATION

(000s, except per share amounts)	**Quarter Ended**							
	9/30/10	6/30/10	3/31/10	12/31/09	9/30/09	6/30/09	3/31/09	12/31/08
Petroleum and natural gas sales	**$ 383**	$ 349	$ 280	$ 413	$ 505	$ 574	$ 667	$ 825
Cash flow from (used-in) operations	**(460)**	(570)	(493)	(264)	(263)	(630)	(85)	303
Per share Basic and diluted	**(0.02)**	(0.03)	(0.03)	(0.01)	(0.01)	(0.03)	(0.00)	0.02
Funds from (used in) operations(1)	**(472)**	(546)	(626)	(347)	(295)	(298)	(92)	(29)
Per share Basic and diluted	**(0.02)**	(0.03)	(0.03)	(0.02)	(0.02)	(0.02)	(0.01)	(0.00)
Net loss	**$ (684)**	$ (751)	$ (1,396)	$ (885)	$ (1,848)	$ (865)	$ (839)	$ (6,916)
Per share Basic and diluted	**(0.04)**	(0.04)	(0.08)	(0.05)	(0.10)	(0.05)	(0.05)	(0.34)
Additions to capital assets, net	**$ 174**	$ 93	$ 553	$ 1,120	$ (426)	$ 154	$ 254	$ 1,096
Working capital	**11,022**	633	1,275	2,501	3,970	1,764	2,189	2,642
Total assets	**17,357**	6,684	7,368	8,928	9,159	11,839	12,664	13,459
Shares outstanding Basic and diluted	**30,238**	18,238	18,213	18,213	18,213	18,213	18,213	18,213
Operations								
Average daily production								
Natural gas (Mcf/d)	**366**	381	377	422	787	684	712	842
Oil and NGLs (bbls/d)	**41**	31	12	30	53	58	63	65
Combined (boe/d)	**102**	94	75	100	184	172	182	205
Netback ($/boe)	**$13.24**	$16.65	$ 18.67	$ 21.39	$11.77	$16.78	$14.86	$25.90

(1) See "Non-GAAP Measurements" on page 1 of this MD&A.

From December 31, 2008 to March 31, 2010 volumes and revenues have been on a declining trend due to natural reservoir declines and lower commodity prices and the sale of the Kaybob gas wells in September, 2009. Beginning in the quarter ended June 30, 2010 and continuing in the current quarter, oil volumes started increasing due to commencement of production from the Cuisinier well in the Cooper Basin of Australia.

In the quarter ended December 31, 2008 the loss is increased by goodwill and ceiling test impairment charges and in the quarter ended September 30, 2009 the net loss was increased by a loss on the disposal of oil and gas assets. The net loss in the quarter ended March 31, 2010 includes an undeveloped property impairment charge of $0.5 million.

FINANCIAL INSTRUMENTS

Financial instruments comprise cash, restricted 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.

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 by the Company to reduce its exposure to fluctuations in commodity prices, foreign exchange rates and interest rates. The Company does not use derivative instruments at this time.

DISCLOSURE CONTROLS & PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING ("ICFR")

Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to provide reasonable assurance that material information required to be disclosed by Bengal is accumulated and communicated to the appropriate members of management to allow timely decisions regarding required disclosure. The Chief Executive Officer and Chief Financial Officer oversee this evaluation process and have concluded that the design and operation of these disclosure controls and procedures are not effective 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 ("ICFR") or causing them to be designed and operating effectively under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with 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 internal controls or weaknesses during the three months ended September 30, 2010 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;
- 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 and non-routine financial accounting issues and tax matters that may arise. It is not deemed as economically feasible at this time to have such personnel. Bengal relies on external experts for review and advice on complex financial accounting issues and for tax planning, tax provision and compilation of corporate tax returns.

These material weaknesses in internal controls over financial reporting result in a reasonable possibility that a material misstatement will not be prevented or detected on a timely basis. Management and the Board of Directors work to mitigate the risk of material misstatement; however, management and the Board 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 3 to the audited consolidated financial statements for the years ended March 31, 2010 and 2009. 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 helps assess the likelihood of materially different results being reported is disclosed in the March 31, 2010 Annual Management Discussion and Analysis.

FINANCIAL REPORTING UPDATE

International Financial Reporting Standards ("IFRS")

In October 2009, the Accounting Standards Board ("AcSB") issued a third and final IFRS Omnibus Exposure Draft confirming that publicly accounting enterprises will be required to apply IFRS, in full and without modification, for financial periods beginning on or after January 1, 2011. The adoption date of April 1, 2011 will require Bengal to restate amounts reported in fiscal year ended March 31, 2011 including its opening balance sheet at April 1, 2010 for comparative purposes.

In response, the Company has completed its high-level IFRS changeover plan and established a timeline for the execution and completion of the conversion project. The changeover plan was determined following a preliminary assessment of the differences between Canadian GAAP and IFRS and the potential effects of IFRS to accounting and reporting processes, information systems, business processes and external disclosures. This assessment has provided insight into what are anticipated to be the most significant areas of difference applicable to the Company.

During the next phase of the project, the Company is performing an in-depth review of the significant areas of difference identified during the preliminary assessment, in order to identify all specific Canadian GAAP and IFRS differences and select ongoing IFRS policies. Key areas addressed will also be reviewed to determine any information technology issues, the impact on internal controls over financial reporting and the impact on business activities including the effect, if any, on compensation arrangements. External advisors have been retained and will assist management with the project on an as needed basis to ensure IFRS readiness by April 1, 2011.

Below is a summary of the Company's current views of the key areas where changes in accounting policies are expected that may impact the Company's consolidated financial statements. The list and comments below should not be regarded as a complete list of changes that will result from the transition to IFRS. It is intended to highlight those areas the Company believes to be most significant; however, analysis of

changes is still in progress and not all decisions have been made where choices of accounting policies are available. At this stage, the Company has not quantified the impacts expected on its consolidated financial statements for these differences.

Note that most adjustments required on transition to IFRS will be made retrospectively, against opening retained earnings in the first comparative balance sheet. Transitional adjustments relating to those standards where comparative figures are not required to be restated because they are applied prospectively will only be made as of the first day of the year of transition.

IFRS 1 "First-Time Adoption of International Financial Reporting Standards" provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. The Company is analyzing the various accounting policy choices available and will implement those determined to be the most appropriate in the Company's circumstances.

Property, Plant and Equipment: International Accounting Standard (IAS) 16 "Property, Plant & Equipment" and Canadian GAAP contain the same basic principles, however there are some differences. IFRS requires that significant parts of an asset be depreciated separately and depreciation commences when the asset is available for use. The Company has not identified any to be depreciated separately as all of its assets are estimated to have useful lives tied to the reserves they service. IFRS also permits property, plant and equipment to be measured using the fair value model or the historical cost model. The Company is not planning on adopting the fair value measurement model for property, plant and equipment.

Under the full cost accounting guideline in Canadian GAAP, gains or losses are not recognized upon the disposition of petroleum and natural gas ("P&NG") assets unless the disposition results in a significant change in the depletion rate. Under IFRS, gains and losses are recognized in net income on the disposal of an item of P&NG assets. The amount of the gain or loss is determined by comparing the proceeds from disposal with the carrying amount of the item. This will include transactions such as sales of assets, farm-outs, asset swaps and other non-monetary transactions which typically did not result in gains or losses being recorded under Canadian GAAP. The Company has had no dispositions in fiscal 2011.

IFRS 1 contains an exemption whereby a company may apply IFRS prospectively by utilizing its transition date reserves (volumes or values) to allocate the Company's full cost pool, with the provision that an impairment test, under IFRS standards, be conducted at the transition date. The Company intends to use this exemption and is currently evaluating the impact of allocating the net book values based on reserve volumes or values.

Provisions: Under IFRS, similar to Canadian GAAP, the Company is required to record obligations relating to the retirement of its wells and facilities where a legal or contractual obligation currently exists. Upon the adoption of IFRS, the Company will also need to evaluate if there are any constructive obligations where the decommissioning liability would also need to be recognized. Currently, the Company has not identified any constructive obligations.

Upon transition, the Company intends to apply the IFRS 1 exemption whereby the decommissioning liability provision is recalculated at April 1, 2010 using the IFRS methodology and any adjustments would be offset against opening retained earnings.

The Company is in the process of evaluating the methodology by which its decommissioning liabilities will be calculated including the future cash flows as well as the appropriateness of the discount rate. It is anticipated the liability will increase due to a lower discount rate being utilized.

Impairment of Assets: Impairments are to be determined based on the greater of fair value and value in use. This differs from the current two step practice where the asset's carrying value is initially compared to the estimated undiscounted future cash flows, and only if the carrying value exceeds the undiscounted

future cash flows is a discounted analysis, step two, required. There is no undiscounted test under IFRS. This may result in more frequent write-downs upon transition.

In addition, under IFRS, an entity must also evaluate whether there are changes in circumstances that would support an impairment reversal, which is not allowable under full cost guidelines under GAAP.

Another difference arises in the level at which an impairment test is performed. Under IFRS, impairment testing will be performed on cash generating units. The Company has identified three cash generating units compared to the two full cost pools under Canadian GAAP.

Share-Based Payments: Under IFRS 2 "Share-Based Payments", graded vested options are required to be separated into their vesting tranches and valued and accounted for separately. This differs from Canadian GAAP, where graded vested options may be valued as a single award at the grant date and expensed using the straight line method. IFRS 1 provides an exemption for equity instruments which vested before the transition date and does not require them to be retroactively restated. All unvested options at transition date will be required to be retroactively restated with the adjustment going through opening retained earnings on transition. The Company intends to use this exemption and is currently evaluating the transitional impact.

Throughout 2010, the Company will continue to document and define its IFRS accounting policies and the Company will start to evaluate the financial impact of IFRS on its financial statements. Staff training programs will continue in 2010 and will be ongoing as the project unfolds.

The Company will also continue to monitor standards development as issued by the International Accounting Standards Board ("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.

In the second quarter of fiscal 2011, work continued on drafting and gaining consensus on the Company's transition policies and this work will ramp up again with completion of the second quarter reporting.

Business Combinations

In December 2008, the CICA issued Section 1582, Business Combinations. This section is effective January 1, 2011 and applies prospectively to business combinations for which the acquisition date is on or after the first annual reporting period beginning on or after January 1, 2011 for the Company. Early adoption is permitted. Under this standard, the purchase price used in a business combination is based on the fair value of shares exchanged at the market price of the shares at the closing date. Under the current standard, the purchase price used is based on the market price of the shares for a reasonable period before and after the date the acquisition is announced. In addition, the new standard requires all acquisition costs to be expensed while the current standard allows for the capitalization of certain of these costs as part of the purchase price. This section replaces Section 1581, Business Combination and harmonizes the Canadian standards with IFRS.

Consolidated Financial Statements and Non-Controlling Interest

In 2009, Section 1601 and Section 1602 were issued which replace the existing guidance under section 1600, Consolidated Financial Statements. These standards provide guidance for preparing consolidated financial statements and for accounting for non-controlling interest in a subsidiary subsequent to a business combination. These standards are effective for business combinations occurring on or after January 1, 2011, with early adoption permitted.

RISK FACTORS

There are a number of risk factors facing companies that participate in the international oil and gas industry. A complete list of risk factors are provided in Bengal's Annual Information Form dated June 29, 2010 filed 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, Suite 1000, 736 – 6 Avenue SW, Calgary, AB, T2P 3T7, 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
Burnet, Duckworth & Palmer LLP •
Calgary, Canada
Allens Arthur Robinson • Brisbane, Australia

BANKERS
Royal Bank of Canada • Calgary, Canada
Westpac Bank • Brisbane, Australia
Commonwealth Bank • Brisbane, Australia
ICICI Bank Ltd. • Calgary, Canada and Mumbai, India

REGISTRAR AND TRANSFER AGENT
Valiant Trust Corporation • Calgary, Canada

INVESTOR RELATIONS
Bryan Mills Iradesso • Calgary, Canada

DIRECTORS
Richard A. N. Bonnycastle
Chayan Chakrabarty
Richard N. Edgar
James B. Howe
Robert Steele
Ian J. Towers

GOVERNANCE AND DISCLOSURE COMMITTEE
All Directors are members of the Committee

AUDIT COMMITTEE
Richard N. Edgar
James B. Howe
Ian J. Towers

RESERVES COMMITTEE
Richard N. Edgar
Ian J. Towers

COMPENSATION COMMITTEE
Richard N. Edgar
Ian J. Towers

OFFICERS
Chayan Chakrabarty, President & Interim CEO
James Mott, Vice President, Exploration
Bryan Goudie, Chief Financial Officer
Bruce Allford, Secretary

STOCK EXCHANGE LISTING
TSX: BNG

International exploration & production

Consolidated Financial Statements

Three and Six Months Ended September 30, 2010 and 2009

BENGAL ENERGY LTD.

CONSOLIDATED BALANCE SHEETS

(thousands of dollars) (unaudited)

As at	Sept 30, 2010	March 31, 2010
ASSETS		
Current assets:		
Cash and short term deposits	$ 11,319	$ 1,055
Restricted cash (Note 3)	60	510
Accounts receivable	452	273
Prepaid expenses and deposits	48	103
	11,879	1,941
Petroleum and natural gas properties (Note 4)	5,478	5,427
	$ 17,357	$ 7,368
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 857	$ 666
Asset retirement obligations (Note 5)	96	93
Shareholders' equity:		
Share capital (Note 6)	54,483	43,460
Warrants (Note 6)	598	490
Contributed surplus (Note 6)	3,970	3,871
Deficit	(42,647)	(41,212)
	16,404	6,609
	$ 17,357	$ 7,368

Going concern (Note 2)
Commitment (Note 10)
Subsequent events (Note 12)

See accompanying notes to consolidated financial statements.

BENGAL ENERGY LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT

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

Periods ended September 30,	Three months 2010	Three months 2009	Six months 2010	Six months 2009
Revenues				
Petroleum and natural gas sales	**$ 383**	$ 505	**$ 732**	$ 1,079
Royalties	**(40)**	(74)	**(68)**	(139)
Interest	**-**	6	**-**	13
	343	437	**664**	953
Expenses				
General and administrative	**571**	527	**1,258**	1,050
Operating and transportation	**220**	230	**399**	476
Depletion, depreciation and accretion	**121**	444	**219**	1,003
Loss on sale of oil and gas assets	**-**	943	**-**	943
Stock-based compensation (Note 6)	**111**	130	**215**	186
Foreign exchange loss	**4**	11	**8**	8
	1,027	2,285	**2,099**	3,666
Net loss and comprehensive loss	**(684)**	(1,848)	**(1,435)**	(2,713)
Deficit, beginning of period	**(41,963)**	(37,086)	**(41,212)**	(36,221)
Deficit, end of period	**$ (42,647)**	$ (38,934)	**$ (42,647)**	$ (38,934)
Weighted average number of shares outstanding (000s) (Note 6)	**19,317**	18,213	**18,774**	18,213
Basic and diluted loss per share (Note 6)	**$ (0.04)**	$ (0.10)	**$ (0.08)**	$ (0.15)

See accompanying notes to consolidated financial statements.

BENGAL ENERGY LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(thousands of dollars) (unaudited)

Periods ended September 30,	Three months 2010	Three months 2009	Six months 2010	Six months 2009
Cash provided by (used in)				
Operations				
Net loss	**$ (684)**	$ (1,848)	**$ (1,435)**	$(2,713)
Items not affecting cash				
Depletion, depreciation and accretion	**121**	444	**219**	1,003
Stock-based compensation	**111**	130	**215**	186
Loss on sale of oil and gas assets	**-**	943	**-**	943
Unrealized foreign exchange loss (gain)	**(20)**	36	**(17)**	(12)
Abandonment expenditures	**-**	-	**-**	(21)
Changes in non-cash working capital (Note 9)	**12**	32	**(12)**	(279)
Cash flow used in operations	**(460)**	(263)	**(1,030)**	(893)
Financing				
Proceeds from issuance of shares, net of issuance costs (Note 6)	**11,015**	-	**11,015**	-
Changes in non-cash working capital (Note 9)	**100**	-	**95**	-
Cash flow from financing	**11,115**	-	**11,110**	-
Investing:				
Additions to petroleum and natural gas properties	**(174)**	426	**(267)**	272
Decrease in restricted cash	**100**	-	**450**	-
Property disposition	**-**	2,111	**-**	2,111
Changes in non-cash working capital (Note 9)	**81**	(596)	**(16)**	(438)
Cash flow from investing	**7**	1,941	**167**	1,945
Foreign exchange (loss) gain on cash and short-term deposits	**20**	(36)	**17**	12
Increase in cash and short-term deposits	**10,682**	1,642	**10,264**	1,064
Cash and short-term deposits, beginning of period	**637**	2,098	**1,055**	2,676
Cash and short-term deposits, end of period	**$ 11,319**	$ 3,740	**$ 11,319**	$ 3,740

	2010	2009	2010	2009
Interest received	**$ -**	$ 18	**$ -**	$ 22

See accompanying notes to consolidated financial statements.

BENGAL ENERGY LTD.

Notes to Consolidated Financial Statements

Three and six months ended September 30, 2010 and 2009
(Tabular amounts are stated in thousands of dollars except share and per share amounts)
(unaudited)

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 Australia, India and Canada. These interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the year ended March 31, 2010. The disclosures included below are incremental to those included with the annual consolidated financial statements. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto for the year ended March 31, 2010. Certain comparative items have been reclassified to conform with the current presentation.

2. GOING CONCERN

The Company's ability to continue as a going concern has improved recently with the closing of a $12 million equity financing in September 2010. Due to substantial capital commitments the Company is still dependent upon obtaining further financing to complete its exploration and development activities and generate profitable operations from its oil and natural gas interests in the future. The Company incurred a net loss of $0.7 million for the three months ended September 30, 2010, and had an accumulated deficit of $42.6 million as at September 30, 2010. Over the next 12 months ending September 30, 2011 and beyond, the Company expects to incur cash outflows to fund its exploration and development activities and the Company's existing cash and short-term deposits and operating cashflows are not expected to be sufficient to meet all of its commitments under its capital program, and accordingly the Company will need to raise additional equity capital or farm out portions of its property interests. These matters raise doubt about the Company's ability to continue as a going concern.

The Company's ability to continue operations and fund its liabilities is dependent on management's ability to secure additional financing and the timing of cash flow pursuant to its capital program. Management is pursuing such additional sources of financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. If the Company is unable to secure additional financing to fund its future work commitments on certain of its permits (see Note 10), the Company may be forced to curtail some exploration and development activities, which could result in the forfeiture of the related permits and necessitate the write-off of expenditures incurred on the related permits.

The Company's financial statements as of and for the quarter ended September 30, 2010 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. Should the going concern assumption not be appropriate, certain asset and liability amounts would require adjustment and reclassification, which may be material.

3. RESTRICTED CASH

Restricted cash of $60,000 at September 30, 2010 consists of a guaranteed investment certificate provided to the Company's bank that secures corporate credit cards. At March 31, 2010, the Company had a US $0.5 million performance guarantee issued by ICICI Bank (India) Ltd. to the Government of India

to guarantee the Company's share of first year exploration expenditures on its onshore Cauvery Block CY-ONN-2005/1. The Company's Canadian bank had provided a guarantee to the bank in India on behalf of the Company. The Canadian bank guarantee was secured by a US $0.5 million term deposit which was segregated by the bank and not available for general purposes. In April 2010 the Canadian Federal Government, through Export Development Canada (EDC), has undertaken to guarantee the obligations of the Company to the bank regarding the guarantee issued on behalf of the Company. Upon receipt of the EDC guarantee, the bank released the US $0.5 million term deposit. Although EDC has guaranteed the current obligations on behalf of the Company, there can be no assurances they will continue to in the future.

On August 9, 2010 the Company, through ICICI Bank (India) Ltd., issued a guarantee to the Government of India for US $151,500 representing 7.5% of the four year work program costs for the offshore block CY-OSN-2009/1. The Canadian Federal Government, though Export Development Canada (EDC), has undertaken to guarantee the obligations of the Company to the bank regarding the guarantee issued on behalf of the Company. Although EDC has guaranteed the current obligations on behalf of the Company, there can be no assurances they will continue to in the future.

4. PETROLEUM AND NATURAL GAS PROPERTIES ("P&NG")

($000s)	Cost	Accumulated Depletion & Depreciation	Net Book Value
September 30, 2010			
Australia			
Petroleum and natural gas properties	$ 19,609	$ 15,682	$ 3,927
Other assets	56	56	-
Canada			
Petroleum and natural gas properties	3,837	3,082	755
Other assets	525	356	169
New cost centres (India and Ireland)			
Petroleum properties – India	627	-	627
Petroleum properties - Ireland	451	451	-
	$ 25,105	$ 19,627	$ 5,478
March 31, 2010			
Australia			
Petroleum and natural gas properties	$ 19,438	$ 15,575	$ 3,863
Other assets	56	53	3
Canada			
Petroleum and natural gas properties	3,805	3,003	802
Other assets	525	329	196
New cost centres (India and Ireland)			
Petroleum properties – India	563	-	563
Petroleum properties - Ireland	451	451	-
	$ 24,838	$ 19,411	$ 5,427

At September 30, 2010, undeveloped property costs of $3.1 million (March 31, 2010 - $3.0 million) related to the Australian cost centre have been excluded from the full cost pool for the depletion calculation.

Future development costs of proved, undeveloped reserves of $44,000 (March 31, 2010 – $44,000) are included in the Canadian and Australian depletion calculation.

At September 30, 2010 the new cost centre (India) was considered to be in the preproduction stage with costs of $0.6 million (March 31, 2010 – $0.6 million for India) not subject to depletion.

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 September 30, 2010 is approximately $158,000 (September 30, 2009 - $161,000) which will be incurred between 2011 and 2025. An inflation factor of 2% has been applied to the estimated asset retirement cost at September 30, 2010 and 2009. A credit-adjusted risk-free rate of between 7% and 10% was used to calculate the initial fair value of the asset retirement obligations.

A reconciliation of the asset retirement obligations is provided below:

($000s)	Six months ended September 30, 2010	Year ended March 31, 2010
Balance, beginning of period	$ 93	$ 179
Revisions	-	(14)
Liabilities settled	-	(21)
Liabilities disposed	-	(63)
Accretion	3	12
Balance, end of period	$ 96	$ 93

6. SHARE CAPITAL

(a) Authorized:

Unlimited number of common shares.

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

(b) Issued:

($000s)	Number of shares	Amount
Balance March 31, 2009 and 2010	**18,212,783**	**$ 43,460**
Issued on exercise of stock options	25,000	8
Balance Jun 30, 2010	**18,237,783**	**$ 43,468**
Shares issued for cash	12,000,000	12,000
Share issue costs		(985)
Balance September 30, 2010	**30,237,783**	**$ 54,483**

In September 2010 the Company closed a short form prospectus offering of common shares. The Company issued 12,000,000 common shares at a price of $1.00 per share. Proceeds of the offering, net of share issue costs of $985,000, were $11,015,000.

In May 2010, 41,667 stock options were exercised based on a cashless exercise whereby 25,000 common shares were issued based on a market share price of $1.35 per share on the date of exercise. The related compensation expense of $8,000 was reclassified from contributed surplus to share capital.

(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 shall vest and be exercisable as to one-third of the warrants on each of the first, second and third anniversaries of issuance or immediately 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 the warrants issued 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 36 month vesting period of the warrants.

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

($000s)	Number of Warrants		Amount
Balance March 31, 2009	**940,000**	**$**	**229**
Stock-based compensation expense	-		261
Balance March 31, 2010	**940,000**	**$**	**490**
Stock-based compensation expense	-		108
Balance September 30, 2010	**940,000**	**$**	**598**

(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 three 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, 2009	**1,565,366**	**$**	**1.81**
Granted	652,000		1.26
Expired	(405,366)		2.92
Forfeited	(10,000)		1.60
Outstanding at March 31, 2010	**1,802,000**	**$**	**1.37**
Exercised	(41,667)		0.54
Expired	(38,000)		2.59
Forfeited	(33,333)		0.81
Outstanding at September 30, 2010	**1,689,000**	**$**	**1.37**
Exercisable at September 30, 2010	1,059,339	$	1.61

Bengal accounts for its stock-based compensation plan using the fair value method. Under this method, a compensation cost is charged over the vesting period. Stock options granted under the plan can be exercised on a cashless basis, whereby the number of shares the employee receives is calculated by dividing the market price of the common shares minus the exercise price of the options by the market price of the shares and multiplying the result by the number of options exercised. Shares resulting from this formula will be issued against the exercised options without any cash consideration.

The table below provides details Bengal's stock-based compensation ("SBC") for the periods indicated:

Stock-Based Compensation ($000s)	Three Months Ended			Six Months Ended	
	09/30/10	09/30/09	06/30/10	**09/30/10**	09/30/09
SBC - options	**$ 57**	$ 16	$ 50	**$ 107**	$ 32
SBC - warrants	**54**	114	54	**108**	154
Stock-based compensation	**$ 111**	$ 130	$ 104	**$ 215**	$ 186

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 three months ended September 30, 2010.

(e) Contributed surplus

A reconciliation of contributed surplus is provided below:

($000s)	Six months ended September 30, 2010	Year ended March 31, 2010
Balance, beginning of period	**$ 3,871**	**$ 3,577**
Stock-based compensation expense	107	294
Exercise of options	(8)	294
Balance, end of period	**$ 3,970**	**$ 3,871**

(f) Per share amounts:

Per share amounts are calculated using losses and the weighted average number of common shares outstanding. The Company has recorded a loss in each of the last two years and therefore any addition to basic shares outstanding is anti-dilutive.

The weighted average number of shares outstanding for the six months ended September 30, 2010 is 18,774,038 (2009 – 18,212,783).

At September 30, 2010, there were 1,689,000 (2009 – 1,565,000) options that were anti-dilutive and at September 30, 2010 there were 940,000 warrants (2009 – 940,000) that were anti-dilutive.

7. FINANCIAL RISK MANAGEMENT

(a) Fair value of financial instruments:

Financial instruments comprise cash and short-term deposits, restricted cash, 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. As at September 30, 2010, Bengal's receivables consisted of $0.3 million (March 31, 2010 - $0.1 million) from joint venture partners and $0.2 million (March 31, 2010 - $0.2 million) of other trade receivables.

In Canada, production from the Oak property is marketed by the operator. Bengal has not experienced any collection issues 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 September 30, 2010, the Company had no receivables that were considered past due (past due is considered greater than 90 days outstanding).

The carrying amount of accounts receivable and cash and cash equivalents represents the maximum credit exposure. Bengal establishes an allowance for doubtful accounts as determined by management based on their assessment of collection. Bengal has a zero balance in the allowance for doubtful accounts as at September 30, 2010 and did not provide for any doubtful accounts nor was it required to write-off any receivables during the years ended March 31, 2010 or 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, including work commitments, as they are due. Bengal prepares an annual budget and updates forecasts for operating, financing and investing activities on an ongoing basis to ensure it will have sufficient liquidity to meet its liabilities when due. Bengal's financial liabilities consist of accounts payable and accrued liabilities and amounted to $0.9 million at September 30, 2010. Bengal had $11.3 million in cash, $0.1 million in restricted cash and a net working capital surplus of $11.0 million at September 30, 2010.

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, as well as joint ventures and farm-ins when appropriate, 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 provides 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, 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, 2010.

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 September 30, 2010 ($000s)	Total	CAD	AUD	U.S.D
			CAD $ Equivalent	
Cash and short-term deposits	11,319	10,869	351	99
Restricted cash	60	60	-	-
Accounts receivable	452	171	5	276
Accounts payable and accrued liabilities	(857)	(332)	(525)	-
Balance sheet exposure	10,974	10,768	(169)	375

A 5% strengthening or weakening of the CAD as compared to the AUD or USD would have no material impact on net loss.

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 the 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 U.S. There were no financial instruments in place to manage commodity prices during the period ended September 30, 2010. At September 30, 2010 a $5.00 decrease in oil prices and a $0.50 decline in natural gas prices would have caused net loss to increase by $60,000 for the six months ended September 30, 2010.

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. The Company is receiving 1.2% interest on its guaranteed investment certificates. As there were no surplus funds for investment until the closing of the financing on September 21 and September 29, 2010, there has been no interest earned in the six months ended September 30, 2010. The Company had no interest rate swaps or hedges at September 30, 2010.

8. 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 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 cash flow. 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 reasonable terms), sell assets, farm out properties and adjust its capital spending to manage current and projected cash levels. There can be no assurance that equity financing will be available or sufficient to meet capital commitments, or for other corporate purposes, or if equity financing is available, that it will be on terms acceptable to the Company. The Company presently does not have a credit facility in place, but based on project viability may arrange separate project financing.

9. CHANGES IN NON-CASH WORKING CAPITAL

Six months ended September 30 ($000s)	**2010**	2009
Accounts receivable	**$ (179)**	$ 169
Prepaid expenses and deposits	**55**	14
Accounts payable and accrued liabilities	**191**	(900)
Total	**$ 67**	$ (717)
Relating to:		
Operating	**$ (12)**	$ (279)
Financing	**(5)**	-
Investing	**84**	(438)
Total	**$ 67**	$ (717)

10. COMMITMENTS

Work Programs

Pursuant to current production sharing contracts ("PSC") and other joint venture agreements, the Company is required to perform minimum exploration activities that include various types of surveys, acquisition and processing of seismic data and drilling of exploration wells. The costs of these activities are based on minimum work budgets included in bid documents and have not been provided for in the financial statements. Actual costs will vary from budget.

Country and Permit	Work Program	Obligation Period Ending	Estimated Expenditure (net) (millions CAD$)[1]
Offshore Australia – AC/P47	985km 2D seismic reprocessing & 750km^2 3D seismic	March 2, 2012	$9.1
Offshore Australia – AC/P24	Drill 1 exploration well	October 11, 2011	$2.3
Onshore India – CY-ONN-2005/1	500km^2 3D seismic & 3 wells	March 3, 2014	$5.5
Offshore India – CY-OSN-2009/1	310km 2D seismic & 81km^2 3D seismic	August 15, 2014	$2.1
Onshore Australia – ATP 752	Drill 3 exploration wells & 1 development well[2]	December 31, 2012	$3.3
Onshore Australia – ATP 934P	Awaiting completion of Native Title before granting of ATP[3]	4 years after grant of ATP	$11.7

[1] Translated at September 30, 2010 exchange rate of US $1.00 = CAD $1.02 and AUD $1.00 = CAD $1.00

(2) Bengal to pay 55% of Barta North earning well, currently drilling, to complete its commitment under the Barta Block phase of the farm-in agreement and increase its interest in the Barta Block from 14.26% to 25%. Two carried wells are then paid 100% by the operator as part of the Wompi Block farm-in agreement. The Company will then pay 60% of the costs of one Wompi well to complete its commitment under the Wompi Block phase of the farm-in agreement and increase its interest in the Wompi Block to 30%. If any of the Barta or Wompi Block wells are successful, the Company will pay its working interest share (Barta 25%; Wompi 30%) of casing, completing and equipping costs on these wells.

(3) Currently negotiating Native Title Agreement with the Wongkumara People of Queensland. The Native Title Agreement is then submitted to the Government of Queensland for approval and granting of the Authority to Prospect ("ATP"). Work program consists of 500km of 2D seismic and up to seven wells.

Purchase & Sale Agreement – Onshore Australia Block ATP 732P

On December 10, 2009 Bengal entered into a Purchase & Sale Agreement and upon satisfaction of all conditions in the Agreement, Bengal will be required to pay AUD$1.0 million to acquire 100% interest in ATP 732P. Upon closing of this acquisition, Bengal will be required to complete a minimum work program consisting of one exploration well and 100km 2D seismic over four years at an estimated cost of $2.5 million.

Other

At September 30, 2010 the Company had the following lease commitment for office space in Canada:

($000s)		
Fiscal 2011 – October 2010 to March 2011	$	63
Fiscal 2012 – April 2011 to March 2012		127
	$	190

11. RELATED PARTY TRANSACTIONS

For the three and six months ended September 30, 2010, the Company paid $6,250 and $22,500 respectively (2009 - $nil, and $20,850, respectively) in consulting fees and travel costs to a director of the Company and to a company controlled by a director. The fees were paid in the ordinary course of business based on market rates and were for international consulting services. At September 30, 2010, the Company has an accounts payable balance of $nil (2009 - $nil) payable to this director.

12. SUBSEQUENT EVENTS

In October 2010, 33,335 stock options were exercised based on a cashless exercise whereby 24,030 common shares were issued based on a market share price of $1.29 per share on the date of exercise.

13. SEGMENTED INFORMATION

Six months ended September 30, 2010 ($000s)	Australia	Canada	Other[1]	Total
Revenue, net of royalties	$ 402	$ 262	$ –	$ 664
Net loss	(300)	(1,033)	(102)	(1,435)
Petroleum and natural gas property expenditures	$ 171	$ 32	$ 64	$ 267

As at September 30, 2010 ($000s)	Australia	Canada	Other	Total
Petroleum and natural gas properties				
Cost	$ 19,665	$ 4,362	$ 1,078	$ 25,105
Accumulated depletion, depreciation and accretion	(15,738)	(3,438)	(451)	(19,627)
Net book value	$ 3,927	$ 924	$ 627	$ 5,478

(1) Other is new cost centres considered to be in the pre-production stage and includes India.

Six months ended September 30, 2009 ($000s)	Australia	Canada	Other[2]	Total
Revenue, net of royalties	$ 468	$ 472	$ –	$ 940
Net loss	(275)	(2,354)	(84)	(2,713)
Petroleum and natural gas property expenditures	$ (422)	$ 86	$ 64	$ (272)
Property disposition	$ -	$ 2,111	$ -	$ 2,111

As at March 31, 2010 ($000s)	Australia	Canada	Other	Total
Petroleum and natural gas properties				
Cost	$ 19,494	$ 4,330	$ 1,014	$ 24,838
Accumulated depletion, depreciation and accretion	(15,628)	(3,332)	(451)	(19,411)
Net book value	$ 3,866	$ 998	$ 563	$ 5,427

(2) Other is new cost centres considered to be in the pre-production stage and includes India.

CORPORATE INFORMATION

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All Directors are members of the Committee

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Bruce Allford, Secretary

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