International exploration & production

Management's Discussion & Analysis

Three and Six Months Ended
September 30, 2013 and 2012

SECOND QUARTER FISCAL 2014 HIGHLIGHTS

During the Company's second fiscal quarter of 2014 (period ended September 30, 2013), Bengal continued to successfully execute its growth strategy and realized significant increases to its production and cash flow. The strong operational and financial performance to date through calendar 2013 is a direct result of Bengal's drilling success in its large oil-in-place Cuisinier pool in Australia, which generates ultra-light oil production with top-tier operating netbacks. In addition to Cuisinier, which is a development stage asset, the Company also has appraisal and exploration assets expected to fuel growth.

During the three months ended September 30, 2013, the following are operational and financial achievements through the period:

Financial Highlights:

- **Another Profitable Quarter and Materially Higher Funds Flow from Operations** – Bengal reported another profitable quarter, with positive net income of $0.6 million, compared to a loss of $0.8 million in Q2 of the prior year and net income of $0.8 million in the preceding quarter this year. Funds flow from operations(1) grew nearly 20% sequentially to $2.1 million, compared to $1.7 million in the prior quarter and a deficiency of $0.5 million in Q2 of the prior year.
- **Higher Revenue and Continued Strong Netbacks** – Bengal's revenue of $5.3 million was 43% higher than the $3.7 million realized in the preceding quarter and substantially higher than the $0.4 million realized in Q2 of the prior year. The strong revenue was driven by higher production volumes coupled with continued strong product pricing. Bengal's operating (field) netback in Australia averaged C$77.87 per barrel (corporate average of C$72.51/bbl).Sales price was USD $116.00/bbl, a USD $6.32/bbl premium over the Brent benchmark during Q2.
- **Insiders Demonstrate Support** – Certain of Bengal's insiders elected to convert their short term convertible notes into shares, in lieu of receiving a $1.5 million cash repayment.

Operating Highlights:

- **Rising Production** – Production averaged 518 boe/d for the period, an increase of 46% over the prior quarter this year and almost 700% higher than Q2 last year. This production rate does not include the acquisition of additional working interest at Cuisinier as described below.
- **Contingent Well Drilled in Cuisinier** – During the quarter, Bengal drilled the final contingent well of its six well 2013/2014 drilling campaign in Cuisinier, bringing the total number of wells drilled in the field to fourteen. The well was cased as a successful oil producer and production from that well is expected to be tied-in during November 2013. Going forward, production from Cuisinier wells will provide funds for Bengal's next year's capital programs.
- **On Track to Capture Additional Production Volumes -** Bengal entered into an agreement to acquire an incremental 5.357% working interest in Cuisinier, which is anticipated to close before the end of calendar 2013. This acquisition will bring the Company's total working interest in Cuisinier to 30.357%. Applying the higher working interest to the second quarter production would have resulted in an additional 103 b/d of oil volumes recorded, and $738,000 in funds flow using the Australian field netback of $77.87/bbl.
- **Tookoonooka Drilling and Seismic Work Plan** – Bengal and its joint interest partner Beach Energy Limited have selected the first drilling location proximal to Bengal's 2013 Caracal discovery well. Bengal is carried for two wells and the 300 square kilometer seismic program to a maximum of AUD $11.5 million. The first of the two wells is expected to spud in December, with the seismic program commencing shortly thereafter.
- **Onshore India Drilling Plan -** In Bengal's onshore block in the Cauvery Basin India, the Company continues to work with the operator to select locations and receive final regulatory approval for the drilling of its exploration wells. It is anticipated the drilling of the first well will commence in the first quarter of calendar 2014. Continued activity in onshore India for the balance of calendar 2014 and beyond will depend on the results of the drilling under the existing work program.

(1) Funds flow from operations is an additional GAAP measure. The comparable IFRS measure is cash from operations. A reconciliation of the two measures can be found in the table on page 5 of Bengal's Q2 fiscal 2014 MD&A.

MANAGEMENT'S DISCUSSION AND ANALYSIS – NOVEMBER 13, 2013

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 Condensed Consolidated Interim Financial Statements and accompanying notes for the three and six months ended September 30, 2013 and 2012 and the audited Consolidated Financial Statements and accompanying notes for the years ended March 31, 2013 and 2012. Bengal's financial statements were prepared under International Accounting Standard 34 – "Interim Financial Reporting". Additional information relating to the Company, including detailed reserve disclosures, is included in the Company's Annual Information Form, which is available on SEDAR at www.sedar.com. The reader should be aware that historical results are not necessarily indicative of future performance.

Bengal's activities are focused in Australia and India. Over the reporting period, revenue and expenses were generated in Australia and Canada, and capital expenditures were made in Australia and 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.

OUTLOOK

Bengal's producing assets are predominantly situated in Australia's Cooper Basin, a region featuring large hydrocarbon pools. Bengal's core Australian assets – Cuisinier and Tookoonooka - are in an area of the Basin that is still in its infancy in terms of appraisal and development. Australia offers a stable political, fiscal and economic climate, with an attractive royalty regime for oil and gas production. Underpinned by oil pricing that is benchmarked to global Brent pricing, Bengal's realized operating netbacks from Australia have averaged over C$82 / bbl for the six months ending September 30, 2013.

Bengal is in a very unique position as it currently generates cash flows from the ongoing development at Cuisinier, and has built a portfolio of assets at various stages of development to support future growth. As a result of activity planned within these assets for the balance of 2013 and through 2014, Bengal expects to have multiple significant events to report in the coming quarters. In Cuisinier, closing of the acquisition of the additional 5.357% working interest is anticipated before the end of the year. Calendar 2014 drilling plans in Cuisinier include six development wells, two appraisal wells and one new field exploration well, with activity expected to commence through the summer of 2014. Based on this schedule, the impact of new production volumes is anticipated to be realized in the latter quarters of calendar 2014, and as such, typical production declines are expected during the first half of 2014. The operator has indicated that a pressure maintenance system would improve production and ultimate recovery from the field and is intending to initiate such a program during 2014. It's our expectation that the benefits of this initiative would be seen from late in calendar 2014.

In Bengal's Tookoonooka permit, joint interest partner, Beach Energy, is expected to commence drilling the first of two wells in the region before the end of calendar 2013. In addition, it is anticipated that Beach will commence shooting 300 km^2 of 3D seismic shortly after the first well is drilled. This seismic program will be followed by the drilling of the second well within the new seismic area. Upon Beach completing the work, Bengal's interest in the permit will adjust to 50%, and the two entities will continue joint operations on a 50/50 basis.

In Bengal's onshore India block, the Company continues to coordinate with its partners to drill three exploration wells beginning in the second quarter of calendar 2014. Continued activity in onshore India through the balance of calendar 2014 and beyond will be dependent on the drilling results under the existing work program.

In Bengal's offshore block in India, the Company continues to pursue a joint interest partner that would enable a fully carried interest in this potentially high reward but high cost prospect. Success and timing of any potential agreement remain uncertain; however, it is not anticipated that Bengal will expend any capital during fiscal 2014 in the offshore block.

Although the Company currently has surplus cash and growing cashflow, to fully evaluate and effectively exploit its large acreage position, the Company will require additional external capital, the size and nature of which will be assessed as needs arise.

Over the next 12 – 15 months, Bengal has numerous milestones ahead, including the planned drilling of 14 wells (2 carried wells in Tookoonooka, 3 in onshore India and 9 in Cuisinier) and the acquisition of additional seismic. The Company is also always evaluating potential acquisition, joint venture or other transactions that might grow production and add value. Simultaneous with this activity, funds flow generated from Cuisinier will contribute to Bengal's ongoing development, notwithstanding the fact that production volumes will be subject to typical decline rates until new wells are drilled and flush production offsets some of the decline.

While remaining focused on its core business, the Company is expanding its efforts to attract new investors and generate additional interest in Bengal, through increased marketing efforts, and a retooling of investor communications materials. With an attractive asset base of large oil in place pools that are amenable to enhanced recovery programs, combined with a management/technical team experienced in the development of such pools, Bengal believes it provides a unique value proposition for investors.

OPERATING HIGHLIGHTS

$000s except per share, volumes and netback amounts	Three Months Ended			Six Months Ended	
	September 30		June 30	September 30	
	2013	2012	2013	**2013**	2012
Revenue					
Oil	**$ 5,229**	$ 387	$ 3,626	**$ 8,855**	$ 820
Natural gas	**69**	31	65	**134**	70
Natural gas liquids	**14**	19	31	**45**	45
Total	**$ 5,312**	$ 437	$ 3,722	**$ 9,034**	$ 935
Royalties	**358**	38	204	**562**	83
% of revenue	**6.7**	8.7	5.5	**6.2**	8.9
Operating & transportation	**1,499**	162	930	**2,429**	409
Net operating income	**$ 3,455**	$ 237	$ 2,588	**$ 6,043**	$ 443
Cash from (used in) operations:	**$ 2,066**	$ 315	$ 1,249	**$ 3,315**	$ (444)
Per share ($) (basic & diluted)	**0.03**	0.01	0.02	**0.05**	(0.01)
Funds flow from (used in) operations:[1]	**$ 2,063**	$ (471)	$ 1,732	**$ 3,795**	(533)
Per share ($) (basic & diluted)	**0.03**	(0.01)	0.03	**0.06**	(0.01)
Net income (loss):	**$ 545**	$ (845)	$ 836	**$ 1,381**	$ (1,056)
Per share ($) (basic & diluted)	**0.01**	(0.02)	0.01	**0.02**	(0.02)
Capital expenditures	**$ 2,702**	$ 10,299	$ 5,435	**$ 8,137**	$ 17,625
Volumes					
Oil (bbl/d)	**483**	35	313	**398**	41
Natural gas (mcf/d)	**200**	159	240	**220**	192
NGL (bbl/d)	**2**	3	3	**3**	4
Total (boe/d @ 6:1)	**518**	65	356	**438**	77
Netback[2] ($/boe)					
Revenue	**$ 111.48**	$ 73.90	$ 114.83	**$ 112.84**	$ 67.02
Royalties	**7.51**	6.43	6.32	**7.02**	5.95
Operating & transportation	**31.46**	27.40	28.69	**30.34**	29.32
Total	**$ 72.51**	$ 40.07	$ 79.82	**$ 75.48**	$ 31.75

(1) Funds flow from operations is an additional GAAP measure. The comparable IFRS measure is cash flow from operations. A reconciliation of the two measures can be found in the table on page 5.

(2) Netback is a non-IFRS measure. Netback per boe is calculated by dividing the revenue less royalties, operating and transportation costs by the total production of the Company measured in boe.

Basis of Presentation

This MD&A and accompanying financial statements and notes are for the three and six months ended September 30, 2013. The terms “current quarter” and “the quarter” are used throughout the MD&A and in all cases refer to the period from July 1, 2013 through September 30, 2013. The terms “prior year’s quarter” and “2012 quarter” are used throughout the MD&A for comparative purposes and refer to the period from July 1, 2012 through September 30, 2012.

The fiscal year for the Company is the 12-month period ended March 31, 2014. The terms “fiscal 2014,” “current year” and “the year” are used in the MD&A and in all cases refer to the period from April 1, 2013 through March 31, 2014. The terms “previous year,” “prior year” and “fiscal 2013” are used in the MD&A for comparative purposes and refer to the period from April 1, 2012 through March 31, 2013. The term “preceding quarter” refers to the quarter ended June 30, 2013.

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. This conversion ratio of 6:1 is based on an energy equivalency conversion for the individual products, primarily at the burner tip, and is not intended to represent a value equivalency at the wellhead. Such disclosure of boe may be misleading, particularly if used in isolation.

The following abbreviations are used in this MD&A: boe/d means barrels of oil equivalent per day; bbl/d means barrels per day; mcf/d means thousand cubic feet of natural gas per day; $/boe means Canadian dollars per boe; and NGL means natural gas liquids.

Non-IFRS Financial Measures and Additional GAAP Measure

Funds flow from operations, funds flow from operations per share and netback do not have standard meanings under IFRS and may not be comparable to those reported by other companies. Management believes that in addition to cash flow provided by operations, funds flow from operations is a useful supplemental measure as it provides an indication of the funds generated by Bengal’s principal business activities prior to consideration of changes in working capital and remediation expenditures. Bengal considers this to be a key measure of performance as it demonstrates its ability to generate cash flow necessary to fund capital investments and to repay outstanding debt obligations.

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

	Three Months Ended			Six Months Ended September 30	
	September 30		June 30		
$000s	**2013**	2012	2013	**2013**	2012
Cash flow from (used in) operating activities	**2,066**	315	1,249	**3,315**	(444)
Changes in non-cash working capital	**(3)**	(786)	483	**480**	(89)
Funds flow from (used in) operations	**2,063**	(471)	1,732	**3,795**	(533)

Netback equals total revenue less royalties and operating and transportation expenses calculated on a boe basis.

RESULTS OF OPERATONS

Production

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

Production	**Three Months Ended**			**Six Months Ended**	
	September 30		**June 30**	**September 30**	
	2013	2012	2013	**2013**	2012
Oil (bbls/d)	**483**	35	313	**398**	41
Natural gas (mcf/d)	**200**	159	240	**220**	192
NGLs (bbl/d)	**2**	3	3	**3**	4
Total (boe/d)	**518**	65	356	**438**	77

(1) Natural gas and NGL volumes are from the Company's Oak property in Canada
(2) Oil volumes are from the Company's Cooper Basin permits in Australia

In the six months ended September 30, 2013, oil production increased to 398 bbl/d compared to 41 bbl/d in the prior year period. The increase is due to receipt of a Long Term Petroleum Production License on April 8, 2013 for the Cuisinier oil pool which allows all current and future wells drilled into the pool to produce for up to 21 years. Further increases in production resulted from the connection of the Cuisinier to Cook pipeline in June 2013 and the completion of the six well calendar 2013 drilling program (Cuisinier wells C7 through C12).

Oil production increased to 483 bbl/d in the current quarter compared to 35 bbl/d in the prior year quarter and 170 bbl/d from preceding quarter largely due to commencement of production from C7 through C11 in July and August 2013. C12 is expected to commence production in mid November 2013.

Pricing

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

Prices and Marketing	**Three Months Ended**			**Six Months Ended**	
	September 30		**June 30**	**September 30**	
	2013	2012	2013	**2013**	2012
Average Benchmark Prices					
AECO 30 day firm ($/mcf)	**$ 2.82**	$ 2.19	$ 3.59	**$ 3.20**	$ 2.01
Dated Brent oil ($US/bbl)	**107.47**	109.19	103.30	**104.59**	109.00
Number of CAD$ for 1 AUD$	**0.95**	1.04	1.01	**0.98**	1.03
Number of CAD$ for 1 USD$	**1.04**	1.00	1.02	**1.03**	1.00
WTI oil ($US/bbl)	**105.18**	92.24	93.82	**99.53**	92.17
Bengal's Realized Price ($CAD)					
Oil ($/bbl)	**$ 117.79**	$ 121.32	$ 127.33	**$ 121.48**	$ 110.19
Natural gas ($/mcf)	**3.75**	2.11	2.98	**3.33**	1.99
NGLs ($/bbl)	**72.54**	68.59	110.71	**95.14**	69.44
Total ($/boe)	**114.48**	73.90	114.83	**112.84**	67.02

Bengal's realized prices for the three and six months ended September 30, 2013 increased as a result of higher gas prices and strengthening USD / CAD exchange rates at September 30. Oil prices are received in USD and are based on the Dated Brent reference price plus a quality differential of approximately $5.00. Realized USD revenues are then converted to CAD presentation currency. The relatively high CAD realized price shown in the table above is due to a weakening CAD against the USD, particularly at September 30, 2013. Future prices will continue to be affected by volatility in foreign exchange rates. The total Company-realized price on a boe basis also increased due to a higher proportion of oil production.

The price received for Bengal's Australian oil sales is based on Dated Brent quotes as published by Platts Crude Oil Marketwire for the month in which the Bill of Lading occurs plus a Platts Tapis premium. Brent typically has traded at a premium to West Texas Intermediate (WTI) and the Platts Tapis premium received has averaged USD $5.77/bbl over Brent for the six months ended September 30, 2013.

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	
	September 30		June 30	September 30	
	2013	2012	2013	**2013**	2012
Oil	**5,229**	387	3,626	**8,855**	820
Natural gas	**69**	31	65	**134**	70
NGLs	**14**	19	31	**45**	45
Total	**5,312**	437	3,722	**9,034**	935

(1) Natural gas and NGL sales are from the Company's Oak property in Canada
(2) Oil sales are from the Company's Cooper Basin permits in Australia

Petroleum and natural gas sales increased by $4,875,000 in the current quarter compared to the prior year quarter due to increased oil production volumes from the Cuisinier field in the Cooper Basin of Australia and higher realized oil prices.

Petroleum and natural gas sales increased by $1,590,000 in the current quarter compared to the preceding quarter again due to increased oil production volumes which is due to commencement of production from C7 through C11 wells.

For the six months ended September 30, 2013, petroleum and natural gas sales increased by $8,099,000 compared to the prior year due to increased oil production volumes and higher realized oil prices.

Royalties

Royalties by Type ($000s)	Three Months Ended			Six Months Ended	
	September 30		June 30	September 30	
	2013	2012	2013	**2013**	2012
Canada Crown	**7**	-	-	**7**	3
Can. gross overriding	**6**	3	5	**11**	6
Australia	**345**	35	199	**544**	74
Total	**358**	38	204	**562**	83
$/boe	**7.51**	6.43	6.32	**7.02**	5.95
% of revenue	**6.7**	8.7	5.5	**6.2**	8.9
Royalties by Commodity	**Three Months Ended**			**Six Months Ended**	
	September 30		**June 30**	**September 30**	
	2013	2012	2013	**2013**	2012
Oil					
$000s	**345**	35	199	**544**	74
$/bbl	**7.77**	10.97	7.02	**7.46**	9.94
% of revenue	**6.6**	9.0	5.5	**6.1**	9.0
Natural gas					
$000s	**9**	-	-	**9**	1
$/mcf	**0.49**	(0.01)	0.02	**0.23**	0.02
% of revenue	**13.0**	-	-	**6.7**	1.4
NGLs					
$000s	**4**	3	5	**9**	8
$/bbl	**20.79**	11.34	16.48	**18.53**	12.88
% of revenue	**28.6**	15.8	16.1	**20.0**	17.8

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 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 have increased in the current quarter compared to the prior year quarter on a boe basis due to increased production, largely in Australia.

Royalties as a percentage of revenue have declined in the current quarter and YTD due to increased transportation and capital deductions resulting from completion of the Cook pipeline and infrastructure, available to reduce revenue prior to applying the 10% Australian royalty rate. The effective royalty rate going forward is expected to be approximately 7%.

Operating and Transportation Expenses

Operating Expenses ($000s)	Three Months Ended			Six Months Ended September 30	
	September 30		June 30		
	2013	2012	2013	**2013**	2012
Australia					
Operating	**194**	44	240	**434**	133
Transportation	**1,233**	65	648	**1,881**	147
	1,427	109	888	**2,315**	280
Canada – Oper. costs	**72**	53	42	**114**	129
Total	**1,499**	162	930	**2,429**	409
Australia					
Operating - $/boe	**4.37**	13.79	8.42	**5.95**	17.87
Transp. - $/boe	**27.78**	20.38	22.74	**25.81**	19.75
Canada - $/boe	**22.09**	19.46	10.73	**15.90**	19.82
Total ($boe)	**31.46**	27.40	28.69	**30.34**	29.32

Operating and transportation expenses increased in the current quarter compared to the prior year quarter mainly as a result of the 453% increase in oil production rates. Transportation costs on a boe basis have increased from prior periods due to commissioning of the Cuisinier to Cook pipeline and subsequent connection of this line to the Cook facility and the Cook to Merrimelia pipeline. Cuisinier oil is now fully pipeline connected from the wellhead to Port Bonython where the crude is loaded on tankers. The commissioning of the pipeline was a proactive response to eliminate significant downtimes due to flooding and to ensure reliability of transportation. The pipeline costs are higher than costs incurred previously to truck the oil, but increased production from uninterrupted delivery through the pipelines is expected to compensate for the increased costs. Field operating costs are lower on a boe basis due to higher production volumes and elimination of trucking costs.

On a year-to-date basis, operating and transportation expenses have increased significantly as noted above, whereas on a boe basis, expenses have increased slightly.

Transportation costs in Australia are incurred to transport Bengal's oil production through various pipelines and facilities to the centralized Moomba facility which accepts production from throughout the Cooper Basin in Australia. The oil is then sent through a pipeline to Port Bonython, South Australia.

General and Administrative (G&A) Expenses

General and Admin. Expenses ($000s)	Three Months Ended			Six Months Ended September 30	
	September 30		June 30		
	2013	2012	2013	**2013**	2012
G&A	**1,026**	1,113	920	**1,946**	2,196
Capitalized G&A	**(104)**	(238)	(106)	**(210)**	(238)
Net G&A	**922**	875	814	**1,736**	1,958

For the quarter, gross G&A expenses decreased $87,000 or 8% compared to the 2012 quarter and increased 12% from the preceding quarter.

For the six months ended September 30, 2013, gross G&A expenses are down 11%. The decrease is due to advancement of the India operations to a new phase with upcoming drilling and restructuring the Indian operations support.

Transaction Costs

Transaction Costs ($000s)	Three Months Ended			Six Months Ended September 30	
	September 30		June 30		
	2013	2012	2013	**2013**	2012
Transaction costs	**261**	-	-	**261**	-

Transaction costs consist of the costs associated with closing the farm-in agreement whereby the Farmee will spend up to $11.5 million AUD to drill two wells and shoot 300 sq. kilometers of 3D seismic to earn a 50% interest in Bengal's permit ATP 732 in Australia.

Share-based Compensation (SBC)

Stock-Based Compensation ($000s)	Three Months Ended			Six Months Ended September 30	
	September 30		June 30		
	2013	2012	2013	**2013**	2012
SBC – options	**256**	163	157	**413**	370
SBC – capitalized	**(65)**	(83)	(35)	**(100)**	(117)
Stock-based compensation	**191**	80	122	**313**	253

The Company uses the Black-Scholes pricing model to estimate the fair value of options on the date of grant and amortizes the estimated expense over the vesting period with a corresponding increase to contributed surplus. With the exception of the option grant that was made on December 21, 2012 (vesting occurs one third after the first year and one third on each of the two subsequent anniversaries), options expire three to five years from the grant date; they vest one-third on the grant date and one-third on each of the following two annual anniversaries.

Capitalized share-based compensation is based on the portion of capitalized fees to total fees paid to consultants and employees that have been granted options.

In the current quarter, 985,000 stock options were granted, none expired and none were forfeited. 50,000 options were exercised during the period. The increase in share-based compensation, before capitalization, is largely a result of the options granted in July 2013 (the first one third vesting immediately).

Depletion and Depreciation (DD&A)

DD&A Expenses ($000s)	Three Months Ended			Six Months Ended September 30	
	September 30		June 30		
	2013	**2012**	2013	**2013**	**2012**
DD&A – Australia	**1,229**	66	7,87	**2,015**	124
DD&A – Canada	**24**	30	28	**52**	65
Subtotal	**1,253**	96	814	**2,067**	189
Total	**1,253**	96	814	**2,067**	189
$/boe – Australia	**27.69**	20.69	27.61	**27.64**	16.66
$/boe – Canada	**7.36**	11.02	7.15	**7.25**	9.99
$/boe – Total	**26.30**	16.24	25.14	**25.82**	13.55

Current quarter and year-to-date depletion in total and per boe increased in Australia over the previous year quarter due to the increase in petroleum and natural gas property expenditures and the increased oil production. Current quarter depletion remained relatively consistent from the preceding quarter on a boe basis.

Depletion per boe increased in Australia for the three and six months ended September 30, 2013 compared to the prior year periods due to increases in future development costs associated with proved and probable reserves at March 31, 2013.

Impairment

Impairment ($000s)	Three Months Ended			Six Months Ended	
	September 30		June 30	September 30	
	2013	2012	2013	**2013**	2012
	2	89	-	**2**	(758)

At June 2012, the Company reported an $847,000 impairment recovery against the previously impaired Hudson well as a result of a settlement agreement reached with the operator. This was offset by $89,000 of final costs billed for the Kingtree well drilled and abandoned in October 2011.

Finance Income

Finance income ($000s)	Three Months Ended			Six Months Ended	
	September 30		June 30	September 30	
	2013	2012	2013	**2013**	2012
Interest income	**29**	65	11	**40**	157

The Company is receiving interest on guaranteed investment certificates and term deposits. The decrease in interest income is primarily attributable to reduced principal amount of short-term deposits.

Finance Expenses

Finance Expenses ($000s)	Three Months Ended			Six Months Ended	
	September 30		June 30	September 30	
	2013	2012	2013	**2013**	2012
Accretion expense on decommissioning liabilities	(14)	1	2	(12)	4
Accretion expense on notes payable	67	-	46	113	-
Performance Security Guarantee fee	-	-	-	-	23
Interest on notes payable	239	-	52	291	-
Finance expenses	292	1	100	392	27

The Performance Security Guarantee fee is paid to Export Development Canada for security guarantee for onshore and offshore India work programs.

The Company issued $1,750,000 in convertible notes and $1,750,000 in non-convertible notes in January 2013 for a term of 180 days. The convertible notes were converted/repaid in July 2013 as further described in the Related Party section on page 14. The interest rate was prime plus 3% through July 2013. The non-convertible notes were extended to January 24, 2014 at a rate of 10%.

On July 5, the Company issued $8,000,000 of 10% non-convertible notes with warrants or value appreciation rights.

The accretion expense on notes payable relates to the implied discounts, equity components and transaction costs of the Notes.

Funds Flow From (used in) Operations and Net Income (Loss)

For the three months ended September 30, 2013, funds flow from operations were $2,063,000 or $0.03 per basic and diluted share compared to funds flow used in operations of ($471,000) or ($0.01) per basic and diluted share in the 2012 quarter and funds flow from operations of $1,732,000 or $0.03 per basic and diluted share in the preceding quarter. The changes in non-cash working capital are removed from the IFRS measure cash flow from (used in) operations to arrive at the additional GAAP measure funds flow from (used in) operations (see reconciliation on page 5).

Net income for the three months ended September 30, 2013 was $545,000 or $0.01 per basic and diluted share compared to a net loss of ($845,000) or ($0.02) per basic and diluted share in the 2012 quarter and net income of $836,000 or $0.01 per basic and diluted share in the preceding quarter. The increase in net income was due to increased production and higher commodity prices in the current quarter.

For the six months ended September 30, 2013, funds flow from operations were $3,795,000 or $0.06 per basic and diluted share compared to funds flow used in operations of ($533,000) or ($0.01) per basic and diluted share in the 2012 quarter.

Net income for the six months ended September 30, 2013 was $1,381,000 or $0.02 per basic and diluted share compared to a net loss of ($1,056,000) or ($0.02) per basic and diluted share in the 2012 quarter. The increase in net income was due to increased production and higher commodity prices in the current period.

CAPITAL EXPENDITURES

Capital Expenditures ($000s)	Three Months Ended			Six Months Ended	
	September 30		June 30	September 30	
	2013	2012	2013	**2013**	2012
Geological and geophysical	**1,038**	1,618	1,104	**2,142**	2,689
Drilling	**554**	6,183	2,342	**2,896**	9,072
Drilling Rig	**-**	1,317	-	**-**	4,334
Completions	**1,110**	1,181	1,989	**3,099**	1,518
Total oil & gas expenditures	**2,702**	10,299	5,435	**8,137**	17,613
Office	**-**	-	-	**-**	12
Total expenditures	**2,702**	10,299	5,435	**8,137**	17,625
Exploration & evaluation Expenditures	**730**	6,327	859	**1,589**	8,477
Development & production Expenditures	**1,972**	2,655	4,576	**6,548**	4,814
Property, plant and equipment	**-**	1,317	-	**-**	4,334
Total net expenditures	**2,702**	10,299	5,435	**8,137**	17,625

In the three months ended September 30, 2013, costs were incurred to drill, test, complete and connect the six Cuisinier appraisal wells on the Company's ATP 752 permit. Costs were also incurred to complete the Indian seismic program interpretation.

In the six months ended September 30, 2013, in addition to the ATP 752 permit costs, additional costs were incurred to complete the Indian seismic program and participate in geological and geophysical analysis and studies to continue to evaluate the Cuisinier field and Cuisinier North 3D seismic as well as the Caracal prospect and surrounding 3D seismic on the Tookoonooka permit (ATP 732P).

SHARE DATA

At November 13, 2013, Bengal had the following:

- 64, 315,415 common shares issued and outstanding
- 4,895,000 employee stock options outstanding
- 703,125 warrants outstanding

TRADING HISTORY

Trading History	Three Months Ended			Six Months Ended	
	September 30		June 30	September 30	
	2013	2012	2013	**2013**	2012
High	**$ 0.73**	$ 0.90	$ 0.79	**$ 0.79**	$ 1.05
Low	**$ 0.50**	$ 0.58	$ 0.58	**$ 0.50**	$ 0.52
Close	**$ 0.67**	$ 0.76	$ 0.64	**$ 0.67**	$ 0.76
Volume (000s)	**2,578**	3,295	3,817	**6,394**	6,621
Shares outstanding (000s)	**64,315**	52,110	61,611	**64,315**	52,110
Weighted average shares outstanding (000s)					
Basic	**63,859**	52,110	59,940	**61,910**	52,110
Diluted	**64,078**	52,110	63,455	**62,246**	52,110

LIQUIDITY AND CAPITAL RESOURCES

On April 16, 2013, the Company closed a brokered private placement of common shares. The Company issued a total of 9,500,666 common shares at a price of $0.60 per common share for aggregate gross proceeds of approximately $5,700,400.

On July 5, 2013, the Company closed a non-brokered private placement of 8,000 units comprising a debenture, due July 5, 2016, paying 10% interest with 703,125 warrants and 546,875 value appreciation rights (VAR's) with an exercise price, or effective price in the case of the VAR's, of $0.75. Each unit was priced at $1,000 for aggregate gross proceeds of $8.0 million.

At September 30, 2013 the Company had working capital of $7.7 million, including cash and short-term deposits of $10.4 million and restricted cash of $0.1 million, compared to a working capital deficiency of $1.6 million, including cash and short term deposits of $2.6 million and restricted cash of $0.1 million at March 31, 2013.

In Tookoonooka, the Company has acquired a partner in Beach Energy. In Bengal's offshore block in India, the Company continues to pursue a joint interest partner.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations, including work commitments, as they are due. As a result of the Company's growing funds flow, the $5.7 million equity financing that closed in April, the $8 million debt financing that closed in July, and the election by insiders to convert $1.5 million of convertible notes in July, Bengal currently has positive working capital. However, longer term, the Company will require additional external capital to fully evaluate and exploit the large acreage position the Company holds. The Company will need to raise funds through some combination of equity capital, debt financing, joint interest partnership(s) or farm out arrangement(s) or divest assets. There is no assurance that additional funds will be available to the Company or, if available, that the funds will be available on terms acceptable to the Company.

COMMITMENTS

Pursuant to current production sharing contracts ("PSC"), 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. Additional commitments are reflected where the Company has agreed with joint venture partners to proceed with activities. 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)
Onshore Australia – ATP 752 Cuisinier	Acquisition of additional 5.357% working interest in ATP 752P (expected to close prior to December 31, 2013)	December 31, 2013	$6.5
Onshore India – CY-ONN-2005/1	Three wells	March 3, 2014(2)	$ 4.2
Offshore India – CY-OSN-2009/1	310 km 2D seismic & 81 km^2 3D seismic	August 15, 2014(3)	$ 5.4

(1) Translated at September 30, 2013 exchange rate of US $1.0000 = CAD $1.0311 and AUD $1.0000 = CAD $0.9591

(2) If the Company did not participate in the drilling of three wells, costs of up to $4.8 million could be impaired and the Company's interest in the permit would decline proportionately to the amount of non-participation. A 359 day extension has been applied for on this permit.

(3) The Company is looking for a partner to participate in this permit and share the costs.

Guarantees – India Permits

($000s) CAD	Quarter Ended September 30, 2013	Year ended March 31, 2013
CY-OSN-2005/1 – Onshore India – year 3	-	836
CY-OSN-2005/1 – Onshore India – year 4	750	735
CY-OSN-2009/1 – Offshore India	157	154
Total Guarantees	**907**	**1,725**

These performance guarantees are based on a percentage of the capital commitments shown in the table above and are not reflected in the statement of financial position as they are secured by Export Development Canada. These guarantees are cancelled when the Company completes the work program commitment required for the applicable exploration period.

Other

At September 30, 2013, the contractual obligations for which the Company is responsible are as follows:

Contractual Obligations ($000s)	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Office lease	874	245	502	127	-
Decommissioning obligations	326		-	-	326
Total contractual obligations	1,200	245	502	127	326

CONTINGENCIES

Final application for grant of permit ATP 934 has been filed with the Queensland Government regulatory authority. No further activity is planned on this permit until the final Ministerial Grant of the tenement is received. Potential legislative changes may result in a lower commitment than shown in the table below. The Company holds a 50% operating interest in this permit. Work program consists of 500 km of 2D seismic and up to seven wells.

Country and Permit	Work Program	Obligation Period Ending	Estimated Expenditure (net) (millions CAD$)
Onshore Australia – ATP 934P	Awaiting Ministerial approval before granting of ATP	4 years after grant of ATP	$ 11.2

RELATED PARTY TRANSACTIONS

On April 16, 2013 the Company closed a brokered private placement of common shares. The Company issued a total of 9,500,666 common shares at a price of $0.60 per common share for aggregate gross proceeds of approximately $5,700,400. A total of 2,400,300 shares of the offering were purchased by insiders of the Company.

On April 18, 2013, the term of the Company's non-convertible notes were extended from July 24, 2013 to January 24, 2014. As consideration for the extension of the maturity date, the interest rate payable under the non-convertible notes was increased to 10.0% per annum from prime plus 3% effective July 25, 2013. Insiders hold approximately 85% of these notes. Insiders had acquired $1,500,000 of non-convertible notes. During the three and six months ended September 30, 2013, the Company paid or accrued interest on the non-convertible notes to insiders of $34,000 and $56,000 respectively.

On July 5, 2013 the Company closed a non-brokered private placement of 8,000 units of the Company at a price of $1,000 per unit for aggregate gross proceeds of $8.0 million. Certain insiders of the Company acquired $3,500,000 principal amount of 10% unsecured non-convertible redeemable notes and 546,875 value appreciation rights ("VAR's) (approximately 44% of the private placement). The notes bear interest at a rate of 10% per annum, payable quarterly, and have a term of 36 months. Following the first anniversary of the closing date of the private placement, the Company shall be required to make quarterly repayments of the outstanding principal of notes in an amount equal to 6.25% of the principal amount of notes outstanding on the last day of each applicable quarter. Each whole VAR entitles the holder thereof, for a period of 36 months following the closing, to exercise the VAR and thereby receive a cash payment equal to the difference between the market price of one common share on the exercise date and $0.75. During the three months ended September 30, 2013, the Company paid or accrued interest on the notes to insiders of $193,000.

On July 18, 2013, the $1.5 million of convertible notes held by insiders were converted into 2,678,572 common shares at an exercise price of $0.56 per common share. During the three and six months ended September 30, 2013, the Company paid or accrued interest on the convertible notes to insiders of $6,000 and $28,000 respectively.

All transactions with insiders were done at market value.

OFF BALANCE SHEET TRANSACTIONS

The Company does not have any off balance sheet transactions.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in accordance with IFRS requires management to make estimates, assumptions and judgments that affect the application of accounting policies and reported amounts of assets and liabilities, and income and expenses. Accordingly, actual results may differ from these estimates, and those differences may be material. A comprehensive description of the Company's significant estimates and judgments is contained in the March 31, 2013 Management's Discussion and Analysis.

FUTURE ACCOUNTING STANDARDS

On April 1, 2013, the Company adopted new standards with respect to consolidation (IFRS 10), joint arrangements (IFRS 11), disclosure of interests in other entities (IFRS 12), fair value measurements (IFRS 13) and amendments to financial instrument disclosures (IFRS 7). The adoption of these standards had no impact on the amounts recorded in the consolidated financial statements at April 1, 2013 or on the comparative periods other than additional disclosures.

SELECTED QUARTERLY INFORMATION

(000s, except per share amounts)	**Sep. 30 2013**	Jun. 30 2013	Mar. 31 2013	Dec. 31 2012	Sep. 30 2012	Jun. 30 2012	Mar. 31 2012	Dec. 31 2011
Petroleum and natural gas sales	**$ 5,312**	$ 3,722	$ 3,013	$ 1,937	$ 437	$ 498	$ 622	$ 1,328
Cash flow from (used in) operations	**2,066**	1,249	119	(378)	315	(759)	486	(417)
Per share Basic and diluted	**0.03**	0.02	(0.00)	(0.01)	0.01	(0.01)	0.01	(0.01)
Funds flow from (used in) operations[1]	**2,063**	1,732	1,151	481	(471)	(62)	(635)	(402)
Per share Basic and diluted	**0.03**	0.03	0.02	0.01	(0.01)	0.00	(0.01)	(0.01)
Net income (loss)	**$ 545**	$ 836	$ (592)	$ (151)	$ (845)	$ (211)	$(1,424)	$(477)
Per share Basic and diluted	**0.01**	0.01	(0.01)	(0.00)	(0.02)	0.00	(0.03)	(0.01)
Capital expenditures	**$ 2,702**	$ 5,435	$ 1,281	$ 9,475	$10,299	$ 7,326	$2,233	$4,265
Working capital (deficiency)	**7,737**	(279)	(1,647)	(1,436)	7,578	18,425	25,722	28,798
Total assets	**62,361**	54,556	49,143	47,584	46,557	44,484	43,696	44,899
Shares outstanding	**64,315**	61,611	52,110	52,110	52,110	52,110	52,110	52,110
Operations								
Average daily production								
Oil and NGLs (bbls/d)	**485**	316	287	185	38	51	52	112
Natural gas (mcf/d)	**200**	240	229	110	159	225	304	271
Combined (boe/d)	**518**	356	325	203	65	89	103	157
Netback ($/boe)	**$ 72.51**	$ 79.82	$ 69.93	$ 60.92	$ 40.07	$ 24.51	$ 27.27	$ 49.89

(1) See “Non-IFRS Financial Measures” on page 5 of this MD&A.

Beginning in the quarter ended March 31, 2011 and continuing through to the quarter ended December 31, 2011, oil volumes were increasing due to commencement of production from the Cuisinier 1 well in the Cooper Basin of Australia in May 2010 and the Cuisinier 2 and 3 wells in the quarter ended September 2011. Oil sales beginning in January 2012 were impacted by the temporary shut in of Cuisinier 1 on January 13, 2012 and Cuisinier 2 and 3 in August and September 2012 while the Company waited for approval of a Production License. Oil volumes increased in the quarter ended December 31, 2012 due to commencement of production from Cuisinier 4, 5, 6 and Cuisinier North 1 and Barta North 1. These wells were drilled in mid 2012 and started producing under a six month Extended Production Test in October 2012. The Cuisinier 1, 2 and 3 wells came back onto production in May 2013 after approval of the Production License. Production started from Cuisinier 7, 8 and 10 in July 2013 and from Cuisinier 9 and 11 in August 2013.

Gas volumes declined in the quarter ended September 30, 2011 due to a plant turnaround at the Oak B.C. property and are in a general decline due to natural reservoir declines. Gas volumes also declined in the quarter ended June 30, 2012 due to the removal of a rental screw compressor (due to low gas prices and the cost of the rental plus associated maintenance) and an unscheduled plant shutdown at the Oak property due to a leak in the line to the flare stack. Gas volumes declined in the quarter ended September 30, 2012 as the Company’s Oak B.C. gas property was shut in due to low gas prices. This property recommenced production in December 2012.

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

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and includes controls and procedures designed to ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure.

The Chief Executive Officer and Chief Financial Officer oversee this evaluation process and have concluded that the design and operation of these disclosure controls and procedures are not effective due to the material weaknesses identified in internal controls over financial reporting as noted below. The Chief Executive Officer and Chief Financial Officer have individually signed certifications to this effect.

Internal Controls over Financial Reporting

The Chief Executive Officer and Chief Financial Officer of Bengal are responsible for designing and ensuring the operating effectiveness of internal controls over financial reporting ("ICFR") or causing them to be designed and operating effectively under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Bengal's certifying officers have assessed the design and operating effectiveness of internal controls over financial reporting and concluded that the Company's ICFR were ineffective at September 30, 2013 due to the material weaknesses noted below.

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

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

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

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

RISK FACTORS

There are a number of risk factors facing companies that participate in the oil and gas industry. A complete list of risk factors are provided in Bengal's Annual Information Form dated July 3, 2013 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 1810, 801 6th Avenue SW., Calgary, Alberta T2P 3W2, by email to info@bengalenergy.ca or by accessing Bengal's website at www.bengalenergy.ca.

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.*

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 Brent daily index prices;*
- *Funding of working capital requirements, commitments and other planned expenses will be by cash on hand, cashflows, farm-outs, joint ventures or share and debt 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 and whether 3 wells will be drilled on this block in 2014;*
- *That a partner will be found and commencement of exploration and development activities on Block CY-OSN-2009/1 will occur;*
- *Continuation of exploration, development and production activities on Permit ATP 752P onshore Australia;*
- *Obtaining Ministerial Grant of the tenement on ATP 934P in Australia and commencement of exploration activities;*
- *That further drilling activities on ATP 732P will occur and that Bengal's farm-in partner will fulfill their AUD $11.5 million farm-in commitment consisting of 2 wells and 300 square km of 3D seismic.*

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; and the continued stability of political, regulatory; tax and fiscal regimes 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; 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.

CORPORATE INFORMATION

AUDITORS

KPMG LLP • Calgary, Canada

LEGAL COUNSEL

Burnet, Duckworth & Palmer LLP • Calgary, Canada
Johnson Winter & Slattery, Lawyers

BANKERS

Royal Bank of Canada • Calgary, Canada
West Pac 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

5 Quarters Investor Relations • Calgary, Canada

DIRECTORS

Chayan Chakrabarty
Peter D. Gaffney
James B. Howe
Stephen N. Inbusch
Dr. Brian J. Moss
R. D. (Bob) Steele
Ian J. Towers (Chairman)
W.B. (Bill) Wheeler

DISCLOSURE COMMITTEE

All Directors are members of the Committee

AUDIT COMMITTEE

James B. Howe (Chairman)
Stephen N. Inbusch
R. D. (Bob) Steele
W.B. (Bill) Wheeler

RESERVES COMMITTEE

Peter D. Gaffney (Chairman)
Stephen N. Inbusch
Dr. Brian J. Moss

GOVERNANCE AND COMPENSATION COMMITTEE

Peter D. Gaffney
Dr. Brian J. Moss
R. D. (Bob) Steele (Chairman)
Ian J. Towers

OFFICERS

Chayan Chakrabarty, President & Chief Executive Officer
Richard N. Edgar, Executive Vice President
Bryan C. Goudie, Chief Financial Officer
Gordon R. MacMahon, Vice President, Exploration
Bruce Allford, Secretary

STOCK EXCHANGE LISTING – TSX:BNG

Condensed Consolidated Interim Financial Statements (unaudited)

Three and six months ended
September 30, 2013 and 2012

BENGAL ENERGY LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Thousands of Canadian dollars)

(unaudited)

As at	Notes	September 30, 2013	March 31, 2013
ASSETS			
Current assets:			
Cash and cash equivalents		**$ 10,395**	$ 2,614
Restricted cash		**140**	140
Accounts receivable		**4,749**	3,550
Prepaid expenses and deposits		**1,252**	110
		16,536	6,414
Non-current assets:			
Exploration and evaluation assets	**3**	**26,103**	26,416
Petroleum and natural gas properties	**4**	**15,039**	11,630
Property, plant and equipment	**5**	**4,683**	4,683
		45,825	42,729
Total assets		**$ 62,361**	$ 49,143
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities		**$ 6,549**	$ 4,622
Current portion of notes payable	**6**	**2,250**	3,439
		8,799	8,061
Non-current liabilities:			
Decommissioning liabilities	**7**	**326**	320
Notes payable	**6**	**6,889**	-
Other long term liabilities	**6**	**184**	-
		7,399	320
		16,198	8,381
Shareholders' equity:			
Share capital	**8**	**93,024**	86,246
Contributed surplus		**6,904**	6,466
Warrants	**6,8**	**167**	-
Equity component convertible debenture	**6,8**	**-**	25
Accumulated other comprehensive income		**(1,757)**	1,581
Deficit		**(52,175)**	(53,556)
		46,163	40,762
Total liabilities and shareholders' equity		**$ 62,361**	$ 49,143

Commitments (note 12)

See accompanying notes to the condensed consolidated interim financial statements.

BENGAL ENERGY LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

(Thousands of Canadian dollars, except per share amounts)

(unaudited)

	Notes	Three months ended September 30, 2013 2013	2012	Six months ended September 30, 2013 2013	2012
Income					
Petroleum and natural gas revenue		$ 5,312	$ 437	$ 9,034	$ 935
Royalties		(358)	(38)	(562)	(83)
		4,954	399	8,472	852
Operating expenses					
General and administrative		922	875	1,736	1,958
Transaction costs		261	-	261	-
Operating and transportation		1,499	162	2,429	409
Depletion and depreciation	**4**	1,253	96	2,067	189
Pre-licensing and impairment		2	89	2	(758)
Share-based compensation		191	80	313	253
		4,128	1,302	6,808	2,051
Operating income (loss)		826	(903)	1,664	(1,199)
Other income (expenses)					
Finance income		29	65	40	157
Finance expenses	**9**	(292)	(1)	(392)	(27)
Foreign exchange gain (loss)		(73)	(6)	14	13
		(336)	58	(338)	143
Net Income (loss) before income tax		490	(845)	1,326	(1,056)
Deferred income tax recovery	**6**	55	-	55	-
Net income (loss)		545	(845)	1,381	(1,056)
Exchange differences on translation of foreign operations		(43)	(518)	(3,338)	(319)
Total comprehensive income (loss) for the period		$ 502	$ (1,363)	$ (1,957)	$ (1,375)
Income (loss) per share					
- Basic and diluted	**8**	$ 0.01	$ (0.02)	$ 0.02	$ (0.02)
Weighted average number of shares outstanding (000s)					
- Basic	**8**	63,859	52,110	61,910	52,110
- Diluted	**8**	64,078	52,110	62,246	52,110

See accompanying notes to the condensed consolidated interim financial statements.

BENGAL ENERGY LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(Thousands of Canadian dollars)

(unaudited)

	Shares outstanding	Share capital	Contributed surplus	Equity component of convertible debentures	Warrants	Accumulated other comprehensive income	Deficit	Total shareholders' equity
Balance at April 1, 2012	52,110,177	$ 86,246	$ 5,779	$ –	$ –	$ 717	$ (51,757)	$ 40,985
Net loss for the period	-	-	-	-	-	-	(1,056)	(1,056)
Comprehensive income for the	-	-	-	-	-	(319)	-	(319)
Share-based compensation – expensed	-	-	253	-	-	-	-	253
Share-based compensation – capitalized	-	-	117	-	-	-	-	117
Balance at September 30, 2012	**52,110,177**	**$ 86,246**	**$ 6,149**	**$ -**	**$ -**	**$ 398**	**$ (52,813)**	**$ 39,980**
Balance at April 1, 2013	**52,110,177**	**$ 86,246**	**$ 6,466**	**$ 25**	$ –	**$ 1,581**	**$ (53,556)**	**$ 40,762**
Net income for the period	-	-	-	-	-	-	1,381	1,381
Comprehensive loss for the period	-	-	-	-	-	(3,338)	-	(3,338)
Common share issuance	12,205,238	7,200	-	-	-	-	-	7,200
Share issue costs	-	(422)	-	-	-	-	-	(422)
Warrants	-		25	(25)	167	-	-	167
Share-based compensation – expensed	-	-	313	-	-	-	-	313
Share-based compensation – capitalized	-	-	100	-	-	-	-	100
Balance at September 30, 2013	**64,315,415**	**$ 93,024**	**$ 6,904**	**$ -**	**$ 167**	**$ (1,757)**	**$ (52,175)**	**$ 46,163**

See accompanying notes to the condensed consolidated interim financial statements.

BENGAL ENERGY LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(Thousands of Canadian dollars)

(unaudited)

For the periods ended September 30,	Notes	Three months 2013	Three months 2012	Six months 2013	Six months 2012
Operating activities					
Net Income (loss)		**$ 545**	$ (845)	**$ 1,381**	$ (1,056)
Non-cash items:					
Depletion and depreciation		**1,253**	96	**2,067**	189
Pre-licensing and impairment		**2**	89	**2**	89
Accretion on decommissioning liability		**(14)**	2	**(12)**	3
Accretion on note payable		**67**	**-**	**113**	**-**
Share-based compensation		**191**	80	**313**	253
Deferred income tax recovery		**(55)**	-	**(55)**	-
Unrealized foreign exchange (gain) loss		**74**	107	**(14)**	(11)
Funds flow from (used in) operating activities		**2,063**	(471)	**3,795**	(533)
Change in non-cash working capital	**11**	**3**	786	**(480)**	89
Net cash flow from (used in) operating activities		**2,066**	315	**3,315**	(444)
Investing activities					
Exploration and evaluation expenditures		**(730)**	(6,327)	**(1,589)**	(8,477)
Petroleum and natural gas properties		**(1,972)**	(2,655)	**(6,548)**	(4,814)
Property, plant & equipment		**-**	(1,317)	**-**	(4,334)
Changes in investing non-cash working capital	**11**	**(1,903)**	2,627	**(345)**	3,387
Net cash flow used in investing activities		**(4,605)**	(7,672)	**(8,482)**	(14,238)
Financing activities					
Proceeds from issuance of shares, net of issuance costs		**-**	-	**5,278**	-
Proceeds from issuance of debt, net of issuance costs		**7,743**	**-**	**7,743**	**-**
Repayment of convertible debt		**(250)**	**-**	**(250)**	**-**
Changes in financing non-cash working capital	**11**	**(431)**	-	**187**	-
Net cash flow from financing activities		**7,062**	-	**12,958**	-
Impact of foreign exchange on cash and cash equivalents		**31**	(84)	**(10)**	55
Net increase/(decrease) in cash and cash equivalents		**$ 4,554**	$ (7,441)	**$ 7,781**	$ (14,627)
Cash and cash equivalents, beginning of period		**5,841**	19,748	**2,614**	26,934
Cash and cash equivalents, end of period		**$ 10,395**	$ 12,307	**$ 10,395**	$ 12,307

See accompanying notes to condensed consolidated interim financial statements.

1. REPORTING ENTITY:

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. The condensed consolidated interim financial statements (the "financial statements") of the Company as at September 30, 2013 and for the three and six months ended September 30, 2013 and 2012 are comprised of the Company and its wholly owned subsidiaries Bengal Energy International Inc. and Bengal Energy (Australia) Pty Ltd. which are incorporated in Canada and Australia respectively. The Company conducts many of its activities jointly with others; these financial statements reflect only the Company's proportionate interest in such activities.

Bengal's principal place of business and registered office is located at 1810, 801 6th Ave SW, Calgary, Alberta, Canada, T2P 3W2.

2. BASIS OF PREPARATION

a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

These condensed consolidated interim financial statements are stated in Canadian dollars and have been prepared following the same accounting policies and methods of computation as the consolidated financial statements of the Company for the year ended March 31, 2013. The disclosures provided below are incremental to those included with the annual consolidated financial statements and certain disclosures, which are normally required to be included in the notes to the annual consolidated financial statements, have been condensed or omitted. These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto in the Company's annual filings for the year ended March 31, 2013.

The condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors on November 13, 2013.

On April 1, 2013, the Company adopted new standards with respect to consolidation (IFRS 10), joint arrangements (IFRS 11), disclosure of interests in other entities (IFRS 12), fair value measurements (IFRS 13) and amendments to financial instrument disclosures (IFRS 7). The adoption of these standards had no impact on the amounts recorded in the consolidated financial statements as at April 1, 2013 or on the comparative periods other than additional disclosures.

b) Basis of measurement

These condensed consolidated financial statements have been prepared on a historical cost basis.

c) Functional and presentation currency

The Company's presentation currency is Canadian dollars ($). The functional currency of the Canadian parent entity is Canadian dollars, the functional currency of the India subsidiary is U.S. dollars and the functional currency of the Australian subsidiary is Australian dollars.

3. EXPLORATION AND EVALUATION ASSETS (E&E ASSETS)

		Exploration and Evaluation Expenditures
Balance at March 31, 2012	$	10,526
Additions		16,017
Capitalized share-based compensation		166
E&E impairment loss		(927)
Exchange adjustments		634
Balance at March 31, 2013	**$**	**26,416**
Additions		1,589
Capitalized share-based compensation		36
E&E impairment loss		(2)
Exchange adjustments		(1,936)
Balance at September 30, 2013	**$**	**26,103**

Exploration and evaluation assets consist of the Company's exploration projects in Australia and India which are pending the determination of proved or probable reserves. Costs primarily consist of acquisition costs, geological & geophysical work, seismic and drilling and completion costs until the drilling of wells is complete and the results have been evaluated.

On July 31, 2013 the Company finalized the documents to close a previously announced Farm-out to a leading Australian oil and gas company, Beach Energy, on permit ATP 732 in Australia. Under the terms the Farm-in Agreement, the Farmee will spend up to $11.5 million AUD to drill two wells and shoot 300 square kilometers of 3D seismic to earn a 50% interest in the permit. The Farmee also has the option to become operator of the permit.

4. PETROLEUM AND NATURAL GAS PROPERTIES

		Petroleum and Natural Gas Properties		Corporate Assets		Total
		$000s		$000s		$000s
Cost:						
Balance at March 31, 2012		5,497		301		5,798
Additions		7,727		126		7,853
Capitalized share-based compensation		19		–		19
Change in decommissioning obligation		85		–		85
Exchange adjustments		482		-		482
Balance at March 31, 2013	**$**	**13,810**	**$**	**427**	**$**	**14,237**
Additions		6,641		(93)		6,548
Capitalized share-based compensation		64		-		64
Change in asset retirement obligation		67		-		67
Exchange adjustments		(1,533)		-		(1,533)
Balance at September 30, 2013	**$**	**19,049**	**$**	**334**	**$**	**19,383**

	Petroleum and Natural Gas Properties	Corporate Assets	Total
	$000s	$ 000s	$000s
Accumulated depletion, depreciation and impairment losses:			
Balance at March 31, 2012	975	88	1,063
Depletion and depreciation charge	1,300	75	1,375
Exchange adjustments	172	(3)	169
Balance at March 31, 2013	**$ 2,447**	**$ 160**	**$ 2,607**
Depletion and depreciation charge	2,021	46	2,067
Exchange adjustments	(306)	(24)	(330)
Balance at September 30, 2013	**$ 4,162**	**$ 182**	**$ 4,344**
Net book value			
At March 31, 2013	**$ 11,363**	**$ 267**	**$ 11,630**
At September 30, 2013	**$ 14,887**	**$ 152**	**$ 15,039**

The calculation of depletion for the three and six months ended September 30, 2013 included $24.6 million and $0.5 million for estimated future development costs associated with proved and probable reserves in Australia and Canada respectively (March 31, 2013 - $31.1 million and $0.5 million).

5. PROPERTY, PLANT AND EQUIPMENT

	Rig Equipment
Balance at March 31, 2012	$ 230
Additions	4,511
Capitalized share based compensation	15
Balance at March 31 and September 30, 2013	**$ 4,756**
Accumulated depletion, depreciation and impairment losses:	
Balance at March 31, 2012	$ -
Depreciation charge	73
Balance at March 31 and September 30, 2013	**$ 73**
Net book value	
Balance at March 31 and September 30, 2013	**$ 4,683**

On April 5, 2012 the Company purchased an Ideco H-44 drilling rig. The purchase price was US $1.75 million. Additional costs were incurred to transport the rig from its point of purchase, prepare the rig and acquire certain ancillary equipment required for drilling operations. This rig was used to drill, case and test the Caracal-1 well on permit ATP 732 in 2012.

6. CONVERTIBLE AND NON-CONVERTIBLE NOTES

On January 25, 2013 the Company closed a non-brokered private placement of $3.5 million short-term, unsecured convertible and non-convertible notes. The Private Placement consists of the placement of: (i) $1,750,000 aggregate principal amount of non-convertible notes bearing an interest rate of prime plus 3% per annum and having a term of 180 days; and (ii) $1,750,000 aggregate principal amount of convertible notes bearing an interest rate of prime plus 3% per annum, convertible into common shares of the Company based on the closing price of the Company's common shares on a certain date and having a term of 180 days. On July 18, 2013 $1.5 million of the Convertible Notes were converted into

2,678,572 common shares of the Company at a conversion price of $0.56 per share. On July 22, 2013 the remaining $250,000 of outstanding Convertible Notes were repaid.

Convertible Note – Issued January 24, 2013		Total		Liability component		Equity Component
		$000s		$ 000s		$000s
Gross proceeds	$	1,750	$	1,716	$	34
Total cash fees		(20)		(19)		(1)
		1,730		1,697		33
Accretion on debt		22		22		-
Deferred tax impact		(8)		-		(8)
Balance at March 31, 2013	**$**	**1,744**	**$**	**1,719**	**$**	**25**
Accretion on debt		31		31		-
Conversion of debt		(1,500)		(1,500)		-
Repayment of debt		(250)		(250)		-
Transfer to contributed surplus		(25)		-		(25)
Balance at September 30, 2013	**$**	**-**	**$**	**-**	**$**	**-**

Non-Convertible Note – Issued January 24, 2013		Total
		$000s
Gross proceeds	$	1,750
Total cash fees		(19)
Implied Discount on Note		(34)
		1,697
Accretion on debt		23
Balance at March 31, 2013	**$**	**1,720**
Accretion on debt		30
Balance at September 30, 2013	**$**	**1,750**

On April 18, 2013 the Non-convertible Note Holders agreed to extend the term of the Note from July 24, 2013 to January 24, 2014 and, as consideration for the extension, the Company has agreed to increase the interest rate payable on the Note to 10% effective July 25, 2013. The extension of the debt term is a substantial modification to the debt however the fair value approximated the original carrying value of the debt therefore no adjustment was recognized.

On July 5, 2013 the Company closed a non-brokered private placement of 8,000 units at a price of $1,000 per Unit for aggregate gross proceeds of $8.0 million. The proceeds from the Private Placement will be used to fund the Company's purchase of an additional 5.357% interest in its key property, Cuisinier, located in the Cooper-Eromanga Basin in Queensland, Australia. The acquisition has an effective date of March 15, 2013 and is expected to close by December 31, 2013.

Each Unit consists of $1,000 principal amount of 10% unsecured non-convertible redeemable notes and either: (i) 156.25 common share purchase warrants, in the case of subscriptions by non-insiders, or (ii) 156.25 value appreciation rights ("VARs"), in the case of subscriptions by insiders. The Notes bear interest at a rate of 10% per annum, payable quarterly, and have a term of 36 months. Following the first anniversary of the closing date of the Private Placement, the Company shall be required to make quarterly repayments of the outstanding principal of Notes in an amount equal to 6.25% of the principal amount of Notes outstanding on the last day of each applicable quarter. Each whole Warrant entitles the holder thereof, for a period of 36 months following the Closing Date, to acquire one common share in the capital of the Company at a purchase price equal to $0.75 per share. Each whole VAR entitles the holder thereof, for a period of 36 months following the closing date, to exercise the VAR and thereby receive a cash payment equal to the difference between the market price of one Common Share on the exercise date and $0.75. Certain insiders of the Company purchased 3,500 Units and received 546,875 VAR's, and 4,500 Units were purchased by non-insiders who received 703,125 warrants.

Non-Convertible Note – Issued July 5, 2013	Total	Debt Component	Other long term liability	Warrants
	$000s	$000s	$000s	$000s
Gross proceeds	$ 8,000	$ 7,593	$ 178	$ 229
Total cash fees	(257)	(256)	6	(7)
	7,743	7,337	184	222
Accretion on debt	52	52	-	-
Deferred tax impact	(55)	-	-	(55)
Balance at September 30, 2013	**$ 7,740**	**$ 7,389**	**$ 184**	**$ 167**
Current portion of notes	**$ 500**	**$ 500**	**$ -**	**$ -**
Long term portion of notes	**$ 7,240**	**$ 6,889**	**$ 184**	**$ 167**

7. DECOMMISSIONING AND RESTORATION LIABILITIES

The total decommissioning and restoration obligations were estimated by management based on the estimated costs to reclaim and abandon the wells, well sites and certain facilities based on the Company's contractual requirements.

Changes to decommissioning and restoration obligations were as follows:

	September 30, 2013	March 31, 2013
Decommissioning liabilities, beginning of period	**$ 320**	$ 228
Revision	**(49)**	(55)
Decommissioning expenditures	**-**	(55)
Additions	**67**	140
Accretion	**(12)**	7
Decommissioning liabilities, end of period	**$ 326**	$ 320

The Company's decommissioning liabilities result from its ownership interest in oil and natural gas assets, including well sites and gathering systems. The Company has estimated the net present value of the decommissioning liability to be $326,000 as at September 30, 2013 (March 31, 2013 - $320,000) based on an undiscounted inflation-adjusted total future liability of $502,000 (March 31, 2013 - $421,000). These payments are expected to be made over the next 30 years with the majority of costs to be incurred between 2028 and 2043. At September 30, 2013, the liability has been calculated using an inflation rate of between 1% and 2% (March 31, 2013 – 1% to 2%) and discounted using a risk-free rate of 1.5% to 2.75%.

8. SHARE CAPITAL

(a) Authorized:

Unlimited number of common shares with no par value.

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

(b) Issued:

The following provides a continuity of share capital:

($000s)	Number of Shares	Amount
Balance at March 31, 2013	52,110,177	$ 86,246
Shares issued for cash	9,500,666	5,700
Shares issued on conversion of debt	2,678,572	1,500
Shares issued on cashless exercise of stock options	26,000	-
Share issue costs	-	(422)
Balance at September 30, 2013	**64,315,415**	**$ 93,024**

On April 16, 2013 the Company issued a total of 9,500,666 Common Shares at a price of $0.60 per Common Share for aggregate gross proceeds of approximately $5,700,400. The Company paid the Agents a cash commission of approximately $282,000, being 6.0% of the gross proceeds of the Offering excluding $1,000,000 of President's list subscriptions. A total of 2,400,300 shares of the Offering were purchased by insiders of the Company.

On July 18, 2013 $1,500,000 of convertible debentures were converted into 2,678,572 common shares at a price of $0.56 per common share.

(c) Share-based compensation – stock options:

A summary of stock option activity is presented below:

	Options	Weighted Average Exercise Price
Outstanding at March 31, 2013	**4,196,665**	**$ 0.98**
Granted	985,000	0.65
Expired	(200,000)	1.14
Exercised	(50,000)	0.36
Outstanding at September 30, 2013	**4,931,665**	**$ 0.91**
Exercisable at September 30, 2013	2,745,000	$ 1.08

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

For the Year Ended	September 30, 2013,	March 31, 2013
Assumptions:		
Risk free interest rate (%)	**2.0%**	2.0%
Expected life (years)	**5 yr**	5 yr
Expected volatility (%)(1)	**70%**	86%
Estimated forfeiture rate (%)	**7.1%**	6.5%
Weighted average fair value of options granted	**$0.38**	$0.40
Weighted average share price on date of grant	**$0.65**	$0.58

(d) Warrants:

A summary of warrant activity is presented below:

Warrants	Number of Warrants	Exercise price	Amount $000s
Warrants	703,125	$ 0.75	$ 166
Balance at September 30, 2013	**703,125**	**$ 0.75**	**$ 166**

The fair value of the warrants, issued together with the Notes described in note 6, was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions and resulting values (net of transaction costs):

For the Year Ended	September 30, 2013, 2013	March 31, 2013
Assumptions:		
Risk free interest rate (%)	**1.28%**	-
Expected life (years)	**3 yr**	-
Expected volatility (%)(1)	**75%**	-
Estimated forfeiture rate (%)	**-**	-
Weighted average fair value of options granted	**$0.33**	-
Weighted average share price on date of grant	**$0.69**	-

(e) Per share amounts:

Income (loss) per share is calculated based on net income (loss) and the weighted-average number of common shares outstanding.

($000s)	Three months ended September 30 2013	2012	Six months ended September 30 2013	2012
Earnings (loss) for the period	**$ 545**	**$ (845)**	**$ 1,381**	**$ (1,056)**
Weighted average number of common shares (basic)	63,859	52,110	61,910	52,110
Weighted average number of common shares (diluted)	64,078	52,110	62,246	52,110
Basic and diluted earnings (loss) per share	$ 0.01	$ (0.02)	$ 0.02	$ (0.02)

At September 30, 2013, there were 2,445,000 (March 31, 2013 – 4,196,665) options considered anti-dilutive. In addition, there were 703,125 warrants and 548,875 value appreciation receipts considered anti-dilutive.

9. FINANCE EXPENSES

($000s)	Three months ended September 30 2013	2012	Six months ended September 30 2013	2012
Interest on Notes payable	$ 239	$ -	$ 291	$ -
Performance security guarantee fee	-	-	-	24
Accretion on decommissioning obligations	(14)	1	(12)	3
Accretion on notes payable	67	-	113	-
Finance expenses	**$ 292**	**$ 1**	**$ 392**	**$ 27**

10. FINANCIAL RISK MANAGEMENT

Foreign currency Risk

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 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 (denominated in local currencies):

As at September 30, 2013 ($000s)	CAD	AUD	USD
Cash and short-term deposits	$ 237	$ 6,587	$ 4,378
Restricted cash	140	-	-
Accounts receivable	87	202	4,342
Accounts payable and accrued liabilities	(475)	(6,038)	(283)
Notes payable	(9,139)	-	-
Other long term liability	(184)	-	-
	$ (9,334)	$ 751	$ 8,437

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 and receivables from petroleum and natural gas marketers. As at September 30, 2013, Bengal's receivables consisted of $4.5 million (March 31, 2013 - $3.4 million) from joint venture partners and $0.2 million (March 31, 2013 - $0.2 million) of other trade receivables.

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, 2013, the Company had $0.1 million (March 31, 2013 - $0.1 million) that was considered past due (past due is considered greater than 90 days outstanding). The Company does not believe there is any collection risk with the past due receivable.

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 does not have an allowance for doubtful accounts as at September 30, 2013 (March 31, 2013 - $nil) and did not write-off any receivables at September 30, 2013 or March 31, 2013.

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

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, accrued liabilities, current notes payable other long term liabilities and amounted to $9.0 million at September 30, 2013 (March 31, 2013 - $8.1 million). Bengal had $10.4 million in cash (March 31, 2013 - $2.1 million), $0.1 million in restricted cash (March 31, 2013 - $0.1 million) resulting in a working capital surplus of $7.7 million at September 30, 2013 (March 31, 2013 - $1.6 million). All accounts payable, accrued liabilities and the current portion of notes payable are due within one year. As the Company is in the early stages of exploration as well as development of its Cuisinier light oil resource play, and although it is generating operating revenue, funding of most activities to date has been supplemented through the issuance of share capital and more recently by debt instruments. It is expected that further equity and debt 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 provide additional borrowing capacity.

11. SUPPLEMENTAL CASH FLOW INFORMATION

Periods Ended ($000s)	September 30, 2013		September 30, 2012	
Accounts receivable	**$**	**(1,199)**	$	(298)
Prepaid expenses and deposits		**(1,142)**		17
Accounts payable and accrued liabilities		**1,703**		3,757
Total	**$**	**(638)**	$	3,476
Relating to:				
Operating	**$**	**(480)**		$89
Financing		**187**		–
Investing		**(345)**		3,387
Total	**$**	**(638)**	$	3,476

Note – changes in working capital consider elements of unrealized foreign exchange differences on assets and liabilities denominated in a foreign currency.

The following represents the cash interest received in each period.

Periods Ended ($000s)	September 30, 2013		September 30, 2012	
Cash interest received	**$**	**40**	$	249
Cash interest paid	**$**	**104**	$	-

12. COMMITMENTS

Pursuant to current production sharing contracts ("PSC"), 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. Additional commitments are reflected where the Company has agreed with joint arrangement partners to proceed with activities. 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)
Onshore Australia – ATP 752 Cuisinier	Acquisition of additional 5.357% working interest in ATP 752P (expected to close prior to December 31, 2013)	December 31, 2013	$6.5
Onshore India – CY-ONN-2009/1	Three wells	March 3, 2014(2)	$ 4.2
Offshore India – CY-OSN-2009/1	310km 2D seismic & 81km² 3D seismic	August 15, 2014(3)	$ 5.4

(1) Converted at September 30, 2013 exchange rate of US $1.0000 = CAD $1.0311 and AUD $1.0000 = CAD $0.9591

(2) If the Company did not participate in the drilling of three wells, costs of up to $5.0 million could be impaired and the Company's interest in the permit would decline proportionately to the amount of non-participation. A 359 day extension has been applied for on this permit.

(3) The Company is looking for a partner to participate in this permit and share the costs

At September 30, 2013 the Company had the following lease commitment for office space in Canada:

($000s)	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Office lease	$ 874	$ 245	$ 502	$ 127	$ -

Effective April 1, 2012 the Company entered into a head office lease in Calgary, Canada for a term of five years.

13. CONTINGENCIES

Final application for the grant of permit ATP 934 has been filed with the Queensland Government regulatory authority. No further activity is planned on this permit until the final Ministerial Grant of the tenement is received. Potential legislative changes may result in a lower commitment than shown in the table below; The Company holds a 50% operating interest in this permit. The Work program consists of 500 km of 2D seismic and up to seven wells.

Country and Permit	Work Program	Obligation Period Ending	Estimated Expenditure (net) (millions CAD$)
Onshore Australia – ATP 934P	Awaiting Ministerial approval before granting of ATP	4 years after grant of ATP	$ 11.2

14. RELATED PARTY TRANSACTIONS

On April 16, 2013 the Company closed a brokered private placement of common shares. The Company issued a total of 9,500,666 common shares at a price of $0.60 per common share for aggregate gross proceeds of approximately $5,700,400. A total of 2,400,300 shares of the offering were purchased by insiders of the Company.

On April 18, 2013, the term of the Company’s non-convertible notes were extended from July 24, 2013 to January 24, 2014. As consideration for the extension of the maturity date, the interest rate payable under the non-convertible notes was increased to 10.0% per annum from prime plus 3% effective July 25, 2013. Insiders hold approximately 85% of these notes. Insiders had acquired $1,500,000 of non-convertible notes. During the three and six months ended September 30, 2013, the Company paid or accrued interest on the non-convertible notes to insiders of $34,000 and $56,000 respectively.

On July 5, 2013 the Company closed a non-brokered private placement of 8,000 units of the Company at a price of $1,000 per unit for aggregate gross proceeds of $8.0 million. Certain insiders of the Company acquired $3,500,000 principal amount of 10% unsecured non-convertible redeemable notes and 546,875 value appreciation rights (“VAR’s)(approximately 44% of the private placement). The notes bear interest at a rate of 10% per annum, payable quarterly, and have a term of 36 months. Following the first anniversary of the closing date of the private placement, the Company shall be required to make quarterly repayments of the outstanding principal of notes in an amount equal to 6.25% of the principal amount of notes outstanding on the last day of each applicable quarter. Each whole VAR entitles the holder thereof, for a period of 36 months following the closing, to exercise the VAR and thereby receive a cash payment equal to the difference between the market price of one common share on the exercise date and $0.75. During the three months ended September 30, 2013, the Company paid or accrued interest on the notes to insiders of $193,000.

On July 18, 2013, the $1.5 million of convertible notes held by insiders were converted into 2,678,572 common shares at an exercise price of $0.56 per common share. During the three and six months ended September 30, 2013, the Company paid or accrued interest on the convertible notes to insiders of $6,000 and $28,000 respectively.

All transactions with insiders were done at market value.

15. SEGMENTED INFORMATION

As at September 30, 2013, the Company has three reportable operating segments being the Australian, Canadian and Indian oil and gas operations. India is considered to be in the pre-production stage.

Revenue reported below represents revenue generated from external customers. There were no inter-segment sales in any of the reported periods.

The accounting policies of the reportable segments are the same as the group's accounting policies. Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

For the six months ended September 30, 2013 ($000s)	Australia	Canada	India	Total
Revenue	$ 8,855	$ 179	$ -	$ 9,034
Interest revenue	40	-	-	40
Interest expense	-	291	-	291
Depletion and depreciation	2,015	52	-	2,067
Net earnings (loss)	3,199	(1,484)	(334)	1,381
Exploration and evaluation expenditures	864	-	725	1,589
Petroleum and natural gas property expenditures	6,548	-	-	6,548
Impairment loss	2	-	-	2

As at September 30, 2013 ($000s)	Australia	Canada	India	Total
Petroleum and natural gas properties				
Cost	$ 18,211	$ 1,172	$ -	$ 19,383
Impairment losses	-	(311)	-	(311)
Accumulated depletion, depreciation and accretion	(3,512)	(521)	-	(4,033)
Net book value	$ 14,699	$ 340	$ -	$ 15,039
Exploration and evaluation assets	25,277	-	5,948	31,225
Accumulated impairment loss	(5,122)	-	-	(5,122)
Net book value	$ 20,155	$ -	$ 5,948	$ 26,103
Property, plant & equipment	-	4,756	-	4,756
Accumulated depletion, depreciation and accretion	-	(73)	-	(73)
Net book value	$ -	$ 4,683	$ -	$ 4,683

For the six months ended September 30, 2012 ($000s)	Australia	Canada	India	Total
Revenue	$ 820	$ 115	$ -	$ 935
Interest revenue	75	79	3	157
Depletion and depreciation	124	65	-	189
Net earnings (loss)	591	(1,231)	(416)	(1,056)
Exploration and evaluation expenditures	5,961	-	2,516	8,477
Petroleum and natural gas property expenditures	4,802	12	-	4,814
Recovery of impairment loss	758	-	-	758
Property, plant & equipment expenditures	-	4,334	-	4,334

As at September 30, 2012 ($000s)	Australia	Canada	India	Total
Petroleum and natural gas properties				
Cost	$ 9,401	1,207		$ 10,608
Impairment Loss	-	(311)	-	(311)
Accumulated depletion, depreciation and accretion	(528)	(413)	-	(941)
Net book value	$ 8,872	$ 483	$ -	$ 9,356
Exploration and evaluation assets	18,290	-	4,756	23,046
Accumulated impairment loss	(4,283)	-	-	(4,283)
Net book value	$ 14,007	$ -	$ 4,756	$ 18,763
Property, plant & equipment	$ -	$ 4,579	$ -	$ 4,579

CORPORATE INFORMATION

AUDITORS

KPMG LLP • Calgary, Canada

LEGAL COUNSEL

Burnet, Duckworth & Palmer LLP • Calgary, Canada
Johnson Winter & Slattery, Lawyers

BANKERS

Royal Bank of Canada • Calgary, Canada
West Pac 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

5 Quarters Investor Relations • Calgary, Canada

DIRECTORS

Chayan Chakrabarty
Peter D. Gaffney
James B. Howe
Stephen N. Inbusch
Dr. Brian J. Moss
R. D. (Bob) Steele
Ian J. Towers (Chairman)
W.B. (Bill) Wheeler

DISCLOSURE COMMITTEE

All Directors are members of the Committee

AUDIT COMMITTEE

James B. Howe (Chairman)
Stephen N. Inbusch
R. D. (Bob) Steele
W.B. (Bill) Wheeler

RESERVES COMMITTEE

Peter D. Gaffney (Chairman)
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Dr. Brian J. Moss

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Peter D. Gaffney
Dr. Brian J. Moss
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Ian J. Towers

OFFICERS

Chayan Chakrabarty, President & Chief Executive Officer
Richard N. Edgar, Executive Vice President
Bryan C. Goudie, Chief Financial Officer
Gordon R. MacMahon, Vice President, Exploration
Bruce Allford, Secretary

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