Bengal
ENERGY LTD.

International exploration & production

Management's Discussion & Analysis

Three and Six Months Ended
September 30, 2023 and 2022

The following Management's Discussion and Analysis ("MD&A") of the consolidated financial results of Bengal Energy Ltd. ("Bengal" or the "Company") is at and for the three and six months ended September 30, 2023.

This MD&A dated November 9, 2023, should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and related notes for the quarter ended September 30, 2023. The interim condensed consolidated financial statements of the Company have been prepared in accordance with International Accounting Standard No. 34, *Interim Financial Reporting* ("IAS 34").

The functional currency of the Company's operating subsidiary, Bengal Energy (Australia) Pty Ltd. ("Bengal Australia"), is the Australian dollar; the functional currency of the Company is the Canadian dollar ("CAD"). The Company's presentation currency is the CAD. In this MD&A, all dollar amounts are expressed in CAD unless otherwise noted.

This MD&A contains non-IFRS measures, abbreviations and forward-looking information relating to future events and the Company's future performance. Please refer to "*Non-IFRS Measurements*", "*Abbreviations*" and "*Advisories*" sections at the end of this MD&A for further information.

Additional information relating to Bengal, including Bengal's audited March 31, 2023, consolidated financial statements and other filings are available on SEDAR at www.sedar.com.

In the following discussion, the three months ended September 30, 2023, may be referred to as "second quarter of fiscal 2024", "Q2 fiscal 2024", "current quarter", and "the quarter". The comparative three months ended September 30, 2023, may be referred to as "second quarter of fiscal 2023", "Q2 fiscal 2023", and "prior year's quarter".

SECOND QUARTER FISCAL 2024 SUMMARY

Financial summary:

- **Sales revenue** – Crude oil sales revenue was $1.9 million in the second quarter of fiscal 2024, which is 9% lower than the $2.1 million recorded in Q2 fiscal 2023. The lower sales revenue is directly due to the decrease in Brent reference price of 22% to US$86.66/bbl in Q2 fiscal 2024 compared to US$100.71/bbl in Q2 fiscal 2023.
- **Funds from operations[1] –** Funds from operations was $0.1 million during Q2 fiscal 2024 compared to $1.8 million in Q2 fiscal 2023. Q2 fiscal 2023 included other income of $1.1 million related to historical crude oil pricing adjustments.
- **Net income (loss)** – Bengal reported a net loss of $0.2 million for the current quarter compared to net income of $1.5 million in Q2 fiscal 2023, directly impacted by the other income noted above and the decrease in realized oil price, lowering sales revenues by $0.2 million.

Operational summary:

- **Production volumes** – The Company's share of total Cuisinier production in the current quarter was 16,175 bbls, consistent with production of 15,996 bbls in the second quarter of fiscal 2023, average of 176 bbls/d and 174 bbls/d, respectively. During the current quarter, the Cuisinier C28, C20 and C14 wells were intermittently offline in September resulting in approximately 21 bbl/d of deferred production.
- **Capital expenditures** – There was limited capital activity during the current quarter compared to Q2 fiscal 2023 when the Company was actively working on its development projects at Wareena 1 and Wareena 5 and completed activities at Caracal-1. Due to weather delays and the availability of equipment and field staff, and capital constraints, Bengal has delayed its Wareena testing program.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business Overview

Bengal's producing and non-producing assets are situated in Australia's Cooper Basin, a region featuring large accumulations of very light and high-quality crude oil and natural gas. The Company's core Australian assets,

[1] See "Non-IFRS and Other Financial Measures" on page 11 of this MD&A

Petroleum Lease ("PL") 303 Cuisinier, ATP 934 Barrolka, ATP 732 Tookoonooka, and four recently acquired petroleum licenses are situated within an area of the Cooper Basin that is well served with production infrastructure and take-away capacity for produced crude oil and natural gas. Still in early stages in terms of appraisal and development, Bengal believes these assets offer attractive upside potential for both oil and gas. Australia presents a stable political, fiscal, and economic environment in which to operate, and a favourable royalty regime for oil and gas production.

Under the State of Queensland Regulatory process, ATPs (Authority to Prospect) are granted by the State generally for a period of twelve years with one-third of the original grant area expiring every four years. At the end of the final term of the ATP, an application can be made to continue a portion of the permit in the form of a PCA (Potential Commercial Area). PCAs have a life span of five to fifteen years. PCA applications include a commercial viability report that indicates that the area is likely to be commercially viable within the applied term. This allows for extra time to commercialize the resource. These PCAs remain a part of the ATP until expiry. If a discovery of oil or gas is made, an application for a PL is made to allow for production. PLs are granted for up to a thirty-year term.

Bengal has two PLs on the former ATP 752 Barta block, PL 303 and PL 1028, in addition to three PCAs, PCA 206, PCA 207 Barta West and PCA 155 Wompi block-Nubba/Yilgarn. Bengal also holds a 100% basis four PLs including a producing pipeline license 138 (“PPL 138”) adjacent to the 100% owned ATP 934.

AUSTRALIA – Cooper Basin, Queensland

PL 303 Barta Block Cuisinier (controlling permit ATP 752) (30.357% WI)

The Company continues to evaluate the results of its pilot water injection program at Cuisinier. The injection of produced formation water is anticipated to both increase production in up to four offsetting wells and reduce water handling charges. On establishing success of the pilot, the Joint Venture (“JV”) will begin a multi-staged water injection scheme, targeted fracture stimulation and more commercially efficient development drilling. Whilst the JV has observed compelling evidence that the overall field decline has been temporarily arrested with a modest upward trend in oil production rate during the previous quarters, the pilot has suffered from extended shut-in periods due to equipment failure and is waiting on replacement parts. The WI pilot is expected to be operational again from late Q3 fiscal 2024 onwards.

Bengal’s joint venture partner and operator of the Cuisinier pool drilled four wells in the Cuisinier field during calendar 2023. The Company did not participate in this program based on its internal economic hurdles and given that the operator has not prepared a suitable field development plan including the water injection pilot and subsequent expansion, and the operator’s projected capital and operating costs make such investment less attractive to Bengal than alternatives available in Bengal’s inventory.

PL 114 Wareena, PL 157 Ghina, PL 188 Ramses, PL 411 Karnak, PPL 138 pipeline (100% WI)

The Company has a 100% working interest in four PLs and a natural gas pipeline connected to transportation infrastructure into the Eastern Australia Gas Market. These non-productive PLs are highly compatible and in close proximity to ATP 934. Bengal continues to integrate subsurface data from the PLs to enhance the Company’s understanding of ATP 934 and to finalize the selection of exploration and appraisal drilling locations.

Included in this program is the reinstatement of two gas wells and an existing gas pipeline to produce raw gas into existing infrastructure at PL 114 Wareena. The Company completed workover activities at Wareena 1 and Wareena 5 in November 2022. Initial test results indicate Wareena 1 would require additional stimulation and dewatering to yield commercial production rates. The Company is encouraged by wellhead pressure measured at Wareena 5 and therefore additional testing justified. If this testing yields commercial rates, Bengal will tie-in the producing well to pipeline PPL 138.

The 100% ownership of these assets presents an appraisal and development opportunity that will be operated by the Company and is seen as a key steppingstone for Bengal’s natural gas platform upon which future development and appraisal work at the existing PLs and exploration growth through ATP 934 can be undertaken.

ATP 732 Tookoonooka (100% WI; now Potential Commercial Area 332)

Bengal conducted an acid treatment in 2022 on the Caracal-1 well to improve well bore inflow with positive results and moderate inflow of very light 53-degree gravity oil from the Wyandra zone. While not immediately commercially viable, these results are being evaluated with the possibility of fracture stimulation to further enhance productivity being put in place. Following fracture stimulation, the well could commence production using the Company's Early Oil Production System with the addition of storage and load-out infrastructure. The well is currently suspended with shut-in pressure data being monitored.

ATP 732 reached the end of its term in March of 2023 and the Company lodged an application over the northern portion of the ATP for continuation in the form of PCA 332 for a further 15 years. Based on the positive results from Caracal-1, the application was approved on January 30, 2023. In addition, the Company is assessing farm-in interest on other 3D defined drilling targets on PCA 332. The PCA, granted by the Queensland Government in record time, provides much-needed certainty for Bengal to focus on its hydrocarbon projects in the Talgeberry-Tintaburra corridor. The majority of PCA 332 is covered by 3D seismic which has outlined the prospective targets as described in the Company's press release: "Bengal Energy Announces Independent Oil and Natural Gas Resource Report" dated March 30, 2022.

ATP 934 Barrolka East (100% WI)

ATP 934 is the Company's 100% owned natural gas exploration block. Bengal received approval of a special amendment for ATP 934 in March 2021 which relinquished 50% of the existing ATP area and extended the term of the ATP by entering an outcome based LWP for another 6 years to February 28, 2027. As part of the special amendment, another relinquishment of 118 sub blocks (50% of the remaining sub blocks) (88,972 acres) was required by February 28, 2023. The relinquishment was accepted by the regulator during April of 2023.The relinquished area was not considered to be prospective by the Company due to the lack of identified prospects and limited physical access. The LWP includes the drilling of up to 3 wells and 260 km^2 of 3D seismic.

ATP 934 Durham Downs East Farmout Block (40% WI)

Bengal entered into an agreement with Santos in July of 2020 to farm-in on a portion of the ATP 934 block. Santos carried the drilling costs of one well to earn a 60% operated interest in the ATP 934 southern farm-out block, which represents 57.8% of the total block acreage post April 2020 relinquishment. On October 14, 2021, Santos completed the drilling of the Legbar-1 exploration well. Santos paid 100% of the costs to drill, plug and abandon the well and has accordingly earned a 60% working interest in 103,760 km^2 gross exploration land.

While the Legbar-1 Well did not indicate commercial quantities of hydrocarbons, thick, high quality reservoir sands were encountered in the primary Permian Toolachee formation and in the Jurassic Birkhead zone, with evidence of residual hydrocarbon saturation in both zones. In addition, fluorescence shows and elevated gas readings through the Jurassic Birkhead Fm/Top Hutton Sandstone indicate oil has passed through the reservoir, supporting the search for a valid closure to test this play. The findings from the Legbar-1 well will help Bengal refine its exploration targets going forward, both with Santos in the Santos Farm-out Block, and across the balance of ATP 934 which is 100% owned by Bengal.

OPERATING SUMMARY

($000s except per share, %, volumes and operating netback[(1)] amounts)		Three months ended September 30, 2023		2022		Six months ended September 30, 2023		2022
Oil sales	$	1,937	$	2,135	$	3,609	$	4,598
Operating netback[(1)]	$	962	$	1,244	$	1,792	$	2,721
Cashflow (used in) from operations	$	(643)	$	1,053	$	(745)	$	2,070
Funds from operations[(1)]	$	123	$	1,774	$	115	$	2,456
Per share ($) (basic and diluted)	$	0.00	$	0.00	$	0.00	$	0.01
Net (loss) income	$	(213)	$	1,471	$	(577)	$	1,863
Per share ($) (basic and diluted)	$	(0.00)	$	0.00	$	(0.00)	$	0.00
Capital expenditures	$	115	$	3,530	$	328	$	5,604
Oil production (bbl/d)		176		174		176		179
Operating netback[(1)] ($/bbl)	$	59.48	$	77.77	$	55.60	$	83.07

(1) Non-IFRS and Other Financial Measures

RESULTS OF OPERATIONS

Production	Three months ended September 30, 2023	2022	Six months ended September 30, 2023	2022
Oil production (bbl/d)	176	174	176	179
Oil production (bbl)	16,175	15,996	32,233	32,753

Revenue/Pricing

The following table outlines the oil lifting from bills of lading, pipeline oil estimates, applicable prices and oil sales reflected in the Company's financials:

		Three months ended September 30, 2023	2022	Six months ended September 30, 2023	2022
Oil lifting					
Volume (000s bbls)		17.6	16.0	35.1	31.6
Weighted average price ($US/bbl)		82.01	100.48	80.82	108.43
Sales ($000s)	**A**	2,022	2,323	3,871	4,291
Pipeline oil					
Volume (000s bbls)		(1.4)	(0.1)	(2.8)	1.1
Weighted average price ($US/bbl)		11.05	(12.66)	8.40	25.25
Sales ($000s)	**B**	(85)	(188)	(262)	307
Total oil sales ($000s)	**A+B**	**1,937**	**2,135**	**3,609**	**4,598**

The price received for Bengal's Australian oil sales is benchmarked on US Brent for the month in which the bill of lading occurs, plus a realized premium due to oil quality differences. Pipeline oil is the term used to describe oil moving along the pipeline from the wellhead to the port which has been legally transferred to the buyer but not priced and waiting to be sold. Lifting occurs when the oil is moved from the port to the ship.

Realized crude oil price during the quarter ended September 30, 2023 was significantly impacted by the decrease in US Brent as compared to the quarter ended September 30, 2022. The realized weighted average price of oil lifting sales was US$82.01/bbl and US$100.48/bbl for the current and previous year's quarters respectively, which is a decrease of 18%. This correlates with the 14% decrease in US Brent reference price across the two periods. During the current quarter, the value of the pipeline oil decreased by $0.1 million due to decreased pipeline oil volume and pricing.

The following table outlines average benchmark prices:

	Three months ended September 30, 2023	2022	Six months ended September 30, 2023	2022
Brent oil ($/bbl)	105.07	131.40	131.43	138.25
Brent oil (US$/bbl)	86.66	100.71	82.49	107.13
Number of CAD$ for 1 AUS$	0.88	0.89	0.89	0.90
Number of CAD$ for 1 US$	1.34	1.30	1.34	1.29

The following table outlines operating netback:

Operating netback	**Three months ended September 30, 2023**	**2022**	**Six months ended September 30, 2023**	**2022**
Oil sales ($000s)	1,937	2,135	3,609	4,598
Royalties ($000s)	101	128	214	276
Operating expenses ($000s)	874	763	1,603	1,601
Operating netback ($000s)	962	1,244	1,792	2,721
Oil sales ($/bbl)	119.75	133.47	111.97	140.38
Royalties ($/bbl)	6.24	8.00	6.64	8.43
Operating expenses ($/bbl)	54.03	47.70	49.73	48.88
Operating netback ($/bbl)	59.48	77.77	55.60	83.07

Operating netback was $59.48/bbl for Q2 fiscal 2024, 24% lower than Q2 fiscal 2023 of $77.77/bbl. Majority of the decrease was due to lower realized oil price of 10%, from $133.47/bbl in Q2 fiscal 2023 to $119.75/bbl for Q2 fiscal 2024. Overall, the 14% decline in reference oil price between Q2 fiscal 2024 and Q2 fiscal 2023, creating a revenue decrease of $0.2 million, plus higher operating expenses of $0.1 million or 13%, to $54.03/bbl resulted in the lower operating netback for Q2 fiscal 2024.

Royalties

Royalties	**Three months ended September 30, 2023**	**2022**	**Six months ended September 30, 2023**	**2022**
Royalty expense ($000s)	101	128	214	276
$/bbl	$6.24	8.00	6.64	8.43
% of revenue	5	6	6	6

In Queensland Australia, oil royalties are based on a government-established rate net of eligible expenditures which scales according to benchmark oil prices plus a Native Title royalty of 1%. Royalty rates approximate 5% of oil sales for Q2 fiscal 2024, reflecting the change in pipeline oil in the current quarter. Overall, royalty rate of 6% for the six months to date is consistent with prior fiscal year.

Operating Expenses

Operating Expenses	**Three months ended September 30, 2023**	**2022**	**Six months ended September 30, 2023**	**2022**
Production ($000s)	316	282	496	584
Transportation ($000s)	558	482	1,107	1,018
	874	764	1,603	1,602
Production ($/bbl)	19.54	17.63	15.39	17.83
Transportation ($/bbl)	34.50	30.07	34.34	31.05
	54.03	47.70	49.73	48.88

Total operating expenses during Q1 fiscal 2024 were $0.9 million or $54.03/bbl compared to $0.8 million or $47.70/bbl for Q2 fiscal 2023. The pilot water-injection scheme was shut-in during the quarter, which resulted in increased water production and a corresponding 14% increase in transportation charges. Production expenses increased by 12% as a result of workover activities at the C28, C20 and C14 wells.

General and Administrative (G&A) Expenses

G&A ($000s)	Three months ended September 30, 2023	 2022	Six months ended September 30, 2023	 2022
Total G&A	884	699	1,752	1,551
Capitalized G&A	(47)	(69)	(110)	(135)
Net G&A	837	630	1,642	1,416

G&A expense was $0.2 million higher in the three months ended September 30, 2023 compared to the three months ended September 30, 2022. This was similar for the six-month period ended as a result of increased activities associated with 100% owned assets as costs incurred to maintain these assets as ready for operations are being classified as G&A.

Share-based Compensation ("SBC")

SBC ($000s)	Three months ended September 30, 2023	 2022	Six months ended September 30, 2023	 2022
Expensed SBC	7	19	16	37
Capitalized SBC	1	1	1	3
	8	20	17	40

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 charge to contributed surplus. Options expire five years from the grant date. There were no new stock options granted during the current quarter resulting in lower share-based compensation expense.

Depletion and Depreciation (DD&A)

DD&A ($000s)	Three months ended September 30, 2023	 2022	Six months ended September 30, 2023	 2022
Petroleum and natural gas properties	276	235	569	494
Other assets	-	1	1	2
Right-of-use assets	8	8	15	15
DD&A	284	244	585	511
DD&A ($/bbl)	17.56	15.25	18.15	15.60

Production in Q2 fiscal 2024 was 16,175 compared with 15,996 bbls in Q2 fiscal 2023, a 1% increase. Depletion increase in both the three months and six months ended September 30, 2023 compared to September 30, 2022 was the result of an increase in future development costs to $80.4 million in fiscal 2024 compared to Q2 fiscal 2023.

Finance Expense

Finance Expense ($000s)	Three months ended September 30, 2023	 2022	Six months ended September 30, 2023	 2022
Accretion expense on decommissioning and restoration liability	44	44	88	73
Interest on lease liability	-	1	1	2
Interest – other	2	(7)	7	(12)
Interest income	-	2	-	4
	46	40	96	67

Accretion expense on decommissioning and restoration liabilities increased as a result of increased inflation rate estimates, 4.5% at September 30, 2023, compared to 4.0% at September 30, 2022. Interest income reflects interest on cash deposit on hand in 2022.

CAPITAL EXPENDITURES

Capital expenditures ($000s)	Three months ended September 30, 2023	 2022	Six months ended September 30, 2023	 2022
Geological, geophysical and workovers	115	2,126	328	5,533
Drilling	-	14	-	23
Completions	-	48	-	50
	115	2,188	328	5,606
Exploration and evaluation expenditures	2	475	42	1,495
Development and production expenditures	113	1,713	286	3,636
	115	2,188	328	5,606

Development and production expenditures were $0.1 and $0.3 million in three and nine months ended September 30, 2023 respectively, relating primarily to preparation for upcoming capital programs compared to the three and nine months ended September 30, 2022 during which the Company was actively engaged in capital activities at the Wareena field and evaluation and stimulation work at ATP 732.

SHARE CAPITAL

Trading history	Three months ended September 30, 2023	 2022	Six months ended September 30, 2023	 2022
High ($/share)	0.07	0.12	0.08	0.15
Low ($/share)	0.04	0.07	0.04	0.07
Close ($/share)	0.04	0.07	0.04	0.07
Volume (000s)	20,493	1,012	16,575	2,901
Weighted average shares outstanding (000s)				
- Basic	485,304	485,304	485,304	485,304
- Diluted	485,304	486,132	485,304	487,528

At November 9, 2023, there were 485,304,215 common shares issued and outstanding, together with 10,920,000 outstanding options.

LIQUIDITY RISK AND CAPITAL RESOURCES

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 trade and other payables and lease liability and amounted to $2.9 million at September 30, 2023 (March 31, 2023 - $3.1 million).

At September 30, 2023, the Company had working capital, which the Company defines as total current assets less total current liabilities, excluding other obligations and current portion of decommissioning obligations, of $0.1 million, including cash and cash equivalents of $0.5 million, compared to a working capital deficit of $0.3 million at March 31, 2023. The Company expects that its cashflows generated from operations will be sufficient to meet its ongoing operating and general expenses, however additional capital will be required to meet future capital commitments and to fund future planned capital projects.

The majority of the Company's oil sales are benchmarked on US Brent prices. The Company incurs most of its expenditures in Australian dollars whereas the Company generates most of its revenues in US dollars. The Company is acting with its joint venture partners to reduce discretionary operational spending and limiting its capital expenditures capital towards lower risk projects that meet its internal economic hurdles and are expected to offer near-term cash flow upside.

COMMITMENTS

The Queensland Government regulatory authority granted the Company Authority to Prospect 934 ("ATP 934") under a revised work program on March 1, 2015. In Q4 fiscal 2018, the Company consolidated its ownership of

ATP 934 resulting in a 100% and 40% operating interest in the northern and southern block of this permit, respectively. The work program consists of 260 km2 of 3D seismic and up to three wells. In February 2023, the Company extended its ATP 732 permit and received a Potential Commercial Area ("PCA") over 343 km2. This included additional work commitments related to both ATP 732 and PCA 332 as outlined below.

At September 30, 2023, the Company had the following capital work commitments:

Permit	**Work Program**	**Obligation period ending**	**Estimated expenditure (net) (millions CA$)[(1)]**
ATP 934 – Onshore Australia	260 km^2 3D seismic and up to three wells	February 2027	7.8
ATP 732 – Onshore Australia	Geological and up to three wells	February 2029	6.6
PCA 332 – Onshore Australia	Initial Production testing	February 2029	3.8
	Extended Production testing	February 2035	2.3

(1) Translated at September 30, 2023, at an exchange rate of AUS$1.00 = CAD$0.8726.

The Company entered into a lease agreement for office space in October 2023 with a contract term ending in February 2027.

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 effective at September 30, 2023, with the exception of 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; and

- Bengal does not have full-time in-house personnel to address all complex and non-routine financial accounting issues and tax matters that may arise. It is not deemed as economically feasible at this time to have such personnel. Bengal relies on external experts for review and advice on complex financial accounting issues and for tax planning, tax provision and compilation of corporate tax returns.

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

APPLICATION OF CRITICAL ACCOUNTING ESTIMATES

The timely preparation of the financial statements requires management to make judgements, estimates and assumptions 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, which are reviewed on an ongoing basis. A full discussion of the Company's critical judgments and accounting estimates is included in its fiscal 2023 annual Management's Discussion and Analysis dated June 14, 2023.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the previous financial year as described in Note 3 of the Company's consolidated financial statements for the year ended March 31, 2023.

NON-IFRS AND OTHER FINANCIAL MEASURES

Non-IFRS Financial Measures

Within this MD&A, references are made to terms commonly used in the oil and gas industry. Operating netback, operating netback per barrel, funds from (used in) operations, funds from (used in) operations per share, adjusted net income and adjusted net income per share do not have any standardized meaning under IFRS and are referred to as non-IFRS measures. Management believes the presentation of the non-IFRS measures above provide useful information to investors and shareholders as the measures provide increased transparency and the ability to better analyze performance against prior periods on a comparable basis.

Operating Netback

Bengal utilizes operating netback as key performance indicator and is utilized by Bengal to better analyze the operating performance of its petroleum and natural gas assets against prior periods. Operating netback is calculated oil sales deducting royalties and operating expenses. The following table reconciles petroleum and natural gas revenue to netback:

Operating netback	**Three months ended September 30,**		**Six months ended September 30,**	
($000s)	**2023**	**2022**	**2023**	**2022**
Oil sales	1,937	2,135	3,609	4,598
Royalties	101	128	214	276
Operating expenses	874	763	1,603	1,601
Operating netback	**962**	**1,224**	**1,792**	**2,721**

Funds from (used in) operations

Management utilized funds from (used in) operations as a measure to assess the Company's ability to generate cash not subject to short-term movements in non-cash operating working capital. Funds from (used in) operations is calculated by adding back all non-cash expense deductions to the net loss for the period ended. The following table reconciles cash from operating activities to funds (used in) from operations, which is used in this MD&A:

Funds from operations	**Three months ended September 30,**		**Six months ended September 30,**	
($000s)	**2023**	**2022**	**2023**	**2022**

Cash flow (used in) from operations per financial statements	(643)	1,053	(745)	2,070
Changes in non-cash working capital	766	721	860	386
Funds from operations	123	1,774	115	2,456

Capital Management measures

Working capital

Bengal uses working capital to monitor its capital structure, liquidity and its ability to fund current operations. Working capital is calculated as current assets less current liabilities but excludes other obligations and current portion of decommissioning obligations.

Non-IFRS Financial Ratios

Bengal uses operating netback per boe to assess the Company's operating performance on a per unit of production basis. Operating netback per barrel equals operating netback divided by the applicable number of barrels of production.

Operating netback per barrel	**Three months ended September 30,**		**Six months ended September 30,**	
($/bbl)	**2023**	**2022**	**2023**	**2022**
Oil sales	119.75	133.47	111.97	140.38
Royalties	6.24	8.00	6.64	8.43
Operating expenses	54.03	47.70	49.73	48.88
Operating netback	**59.48**	**77.77**	**55.60**	**83.07**

Bengal uses funds from operations per share to assess the ability of the Company to generate the funds necessary for financing, operating, and capital activities on a per-share basis. This is a non-IFRS measure calculated by dividing funds from operations by weighted average basic and diluted shares outstanding for the periods disclosed.

ABBREVIATIONS

The following abbreviations used in this MD&A have the meanings set forth below:

bbl	-	barrel
bbl/d	-	barrels per day
$/bbl	-	dollars per barrel
ft^3	-	cubic feet
boe/d		barrels of oil equivalent per day
FY	-	fiscal year
K	-	thousand
km	-	kilometres
km^2	-	square kilometres
Q1	-	three months ended June 30
Q2	-	three months ended September 30
Q3	-	three months ended December 31
Q4	-	three months ended March 31
WI	-	working interest
COSPA	-	crude oil sales and purchase agreement

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 is provided in Bengal's Annual Information Form dated June 29, 2023, filed on SEDAR at www.sedar.com.

Bengal monitors and updates its cash projection models on a regular basis, which assists in the timing decision of capital expenditures. Farm-outs of projects may be arranged if capital constraints are an issue or if the risk profile dictates that Bengal wishes to hold a lesser working interest position. Equity, if available and if on favorable terms, may be utilized to help fund Bengal's capital program.

An investment in the shares of the Company should be considered speculative due to the nature of the

Company's involvement in the exploration for and the acquisition, development and production of oil and natural gas in foreign countries, and its current stage of development. An investor should consider carefully the risk factors set out in the annual information form and consider all other information contained herein and, in the Company's, other public filings before making an investment decision. Additional risks and uncertainties not currently known to the management of the Company may also have an adverse effect on Bengal's business and the information set out in the annual information form does not purport to be an exhaustive summary of the risks affecting Bengal.

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 1110, 715 - 5th Avenue SW., Calgary, Alberta T2P 2X6, by email to info@bengalenergy.ca or by accessing Bengal's website at www.bengalenergy.ca.

Forward-looking Statements *– Certain statements contained within this MD&A constitute "forward-looking statements" or "forward-looking information" ("forward-looking statements") as defined by applicable securities laws. 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 this MD&A should not be unduly relied upon. The projections, estimates and beliefs contained in such forward-looking statements are based on management's estimates, opinions, and assumptions at the time the statements were made, including assumptions relating to: the impact of economic conditions in North America and Australia and globally; industry conditions; changes in laws and regulations including, without limitation, the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced; increased competition; the availability of qualified operating or management personnel; fluctuations in commodity prices, foreign exchange or interest rates; stock market volatility and fluctuations in market valuations of companies with respect to announced transactions and the final valuations thereof; results of exploration and testing activities; and the ability to obtain required approvals and extensions from regulatory authorities. In particular, this MD&A contains forward-looking statements pertaining to the following:*

- *Oil and natural gas production levels;*
- *The size of the oil and natural gas reserves;*
- *The adverse impacts on the Company as a result of the current challenging economic climate;*
- *The forecasted covenant breach with respect to the Credit Facility;*
- *Bengal's drilling program and waterflood pilot;*
- *The belief that the Cooper Basin assets offer attractive upside potential for oil and gas;*
- *Timing and re-assessment of restarting the planning and drilling selection for the 2024 multi-well development and appraisal drilling campaign:*
- *The timing of the planned injection of produced formation water on the Barta Block PL 303 and the anticipated resulting production increases, future waterflood expansion phases, and reduced operating costs;*
- *The timing of the planned extended production test on the Nubba gas discovery well and plans to tie in the well;*
- *The planned 100% free carried well on the ATP 934 Barrolka and the expected assistance in de-risking the natural gas potential of the permit;*
- *The timing of equipping for production cased wells;*
- *The continued engagement in early-stage discussions with third parties with respect to potential business combination transactions;*
- *The continued integration of subsurface data from production licenses in the selection of exploration and appraisal drilling locations;*
- *Projections of market prices and costs including, but not limited to, expected royalty rates;*
- *Expectations regarding the ability to raise capital and to continually add to reserves through acquisitions and development;*
- *That required payments will be met out of operation cash flows and alternative forms of financing;*
- *Bengal's ability to finance its working capital deficiency and to source funds for the same;*
- *Treatment under governmental regulatory regimes and tax laws;*
- *Capital expenditures programs and estimates of costs; and*
- *That funding of working capital requirements, commitments and other planned expenses will be by cash on hand, cash flows, farm-outs, joint ventures, share issuances or other alternative forms of capital raising and funds will be sufficient to meet requirements including but not limited to Bengal's exploration activities through fiscal 2024 and capital program.*

The forward-looking statements contained herein are subject to numerous known and unknown risks and uncertainties that may cause Bengal's actual results, performance or achievement to differ materially from those expectations expressed in, or implied by, these forward-looking statements, including but not limited to, risks associated with:

- *Fluctuations in commodity prices, foreign exchange or interest rates;*
- *Changes in the demand for or supply of Bengal's products;*
- *Liabilities inherent in oil and natural gas operations;*
- *The failure to obtain required regulatory approvals or extensions;*
- *The failure to satisfy the conditions under farm-in and joint venture agreements;*
- *The failure to secure required equipment and personnel;*
- *Changes in general global economic conditions including, without limitations, the economic conditions in North America and Australia;*
- *Uncertainties associated with estimating oil and natural gas reserves;*
- *Increased competition for, among other things: capital, acquisitions of reserves, undeveloped lands and skilled personnel;*
- *The availability of qualified operating or management personnel;*
- *Incorrect assessment of the value of acquisitions;*
- *Inability to meet commitments due to inability to raise funds or complete farm-outs;*
- *Geological, technical, drilling and processing problems;*
- *Bengal's development and exploration opportunities;*
- *The results of exploration and development drilling and related activities;*
- *Changes in laws and regulations including, without limitation, the adoption of new environmental, royalty and tax laws and regulations and changes in how they are interpreted and enforced;*
- *The ability to access sufficient capital from internal and external sources; and*
- *Counter-party credit risk, stock market volatility and market valuation of Bengal's stock.*
- *Weather*

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, which 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 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).

Disclosure of Oil and Gas Information

Unless otherwise specified, reserves data set forth in this document is based upon an independent reserve assessment and evaluation prepared by GLJ with an effective date of March 31, 2023 (the "GLJ Report"). The GLJ Report has been prepared in accordance with the standards contained in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook") and the reserve definitions contained in National Instrument 51-101 – Standards of Disclosure For Oil and Gas Activities.

This document discloses unbooked drilling locations. Unbooked locations are internal estimates based on the Company's prospective acreage and an assumption as to the number of wells that can be drilled per area based on industry practice and internal review. Unbooked locations do not have attributed reserves or resources. There is no certainty that the Company will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves, resources or production. The drilling locations on which the Company actually drill wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors.

Test Rates

References in this MD&A to production test rates are useful in confirming the presence of hydrocarbons; however, such rates are not determinative of the rates at which such wells will commence production and decline thereafter and are not indicative of long-term performance or ultimate recovery. Readers are cautioned not to place reliance on such rates in calculating the aggregate production for the Company. A pressure transient analysis or well-test interpretation has not been carried out in respect of all wells. Accordingly, the Company cautions that the test results are historical and not indicative of expected production.

Internal Estimates

Certain information contained herein is based on estimated values the Company believes to be reasonable and are subject to the same limitations as discussed under "Forward-looking Statements" above.

CORPORATE INFORMATION

AUDITORS

KPMG LLP • Calgary, Canada

LEGAL COUNSEL

Burnet, Duckworth & Palmer LLP • Calgary, Canada
Piper Alderman • Sydney, Australia

BANKERS

Royal Bank of Canada • Calgary, Canada
WestPac • Sydney, Australia

REGISTRAR AND TRANSFER AGENT

Computershare • Toronto, Canada

DIRECTORS

Chayan Chakrabarty
Peter Lansom
Dr. Brian J. Moss
Robert D. Steele (Chairman)
W. B. (Bill) Wheeler

DISCLOSURE COMMITTEE

Chayan Chakrabarty
Jerrad Blanchard

AUDIT COMMITTEE

Robert D. Steele (Chairman)
W. B. (Bill) Wheeler

RESERVES COMMITTEE

Dr. Brian J. Moss (Chairman)
Peter Lansom
Robert D. Steele

COMPENSATION COMMITTEE

Dr. Brian J. Moss (Chairman)
Robert D. Steele
Peter Lansom

GOVERNANCE AND NOMINATING COMMITTEE

W.B. (Bill) Wheeler (Chairman)
Robert D. Steele

HEALTH SAFETY AND ENVIRONMENT COMMITTEE

Peter Lansom (Chairman)
Robert D. Steele
Dr. Brian J. Moss

OFFICERS

Chayan Chakrabarty, President & Chief Executive Officer
Richard N. Edgar, Executive Vice President
Jerrad Blanchard, Chief Financial Officer
Bruce Allford, Secretary

STOCK EXCHANGE LISTING – TSX: BNG

Interim Condensed Consolidated Financial Statements

(Unaudited)

Three and Six Months Ended September 30, 2023 and 2022

BENGAL ENERGY LTD.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Thousands of Canadian dollars)

(unaudited)

As at	Notes	September 30 2023	March 31 2023
Assets			
Current assets:			
Cash and cash equivalents		$ 511	$ 795
Trade and other receivables		1,812	1,085
Prepaid expenses and deposits		778	903
		3,101	2,783
Exploration and evaluation assets	5	11,835	12,248
Property, plant and equipment	6	31,857	34,666
Total assets		$ 46,793	$ 49,697
Liabilities and Shareholders' Equity			
Current liabilities:			
Trade and other payables		$ 2,930	$ 3,035
Current portion of lease liability		11	32
		2,941	3,067
Decommissioning and restoration liability	7	4,408	5,096
		7,349	8,163
Shareholders' equity:			
Share capital	8	118,796	118,796
Contributed surplus		8,120	8,103
Accumulated and other comprehensive loss		(3,784)	(2,254)
Deficit		(83,688)	(83,111)
		39,444	41,534
Total liabilities and shareholders' equity		$ 46,793	$ 49,697

Commitments (Note 16)

See accompanying notes to the interim condensed consolidated financial statements.

BENGAL ENERGY LTD.

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

(Thousands of Canadian dollars, except per share amounts)

(unaudited)

	Notes	Three months ended September 30, 2023	Three months ended September 30, 2022	Six months ended September 30, 2023	Six months ended September 30, 2022
Revenue					
Oil sales	10	$ 1,937	$ 2,135	$ 3,609	$ 4,598
Royalties		(101)	(128)	(214)	(276)
		1,836	2,007	3,395	4,322
Expenses					
General and administrative		837	630	1,642	1,416
Operating		874	763	1,603	1,601
Depletion and depreciation	6	284	244	585	511
Share-based compensation		7	19	16	37
Loss (gain) on foreign exchange		1	(67)	30	(80)
		(167)	418	(481)	837
Other expense (income)					
Other income	10	-	(1,093)	-	(1,093)
Finance expense	12	46	40	96	67
Net (loss) income		(213)	1,471	(577)	1,863
Exchange differences on translation of foreign operations		(310)	(61)	(1,530)	(2,065)
Comprehensive (loss) income		$ (523)	$ 1,410	$ (2,107)	(202)
Net (loss) income per share – basic & diluted	11	$ (0.00)	$ 0.00	$ (0.00)	$ 0.00
Weighted average shares outstanding (000s)					
– basic	11	485,304	485,304	485,304	485,304
– diluted	11	485,304	486,132	485,304	487,528

See accompanying notes to the interim condensed consolidated financial statements.

BENGAL ENERGY LTD.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Thousands of Canadian dollars)

(unaudited)

For the six months ended September 30	2023	2022
Share capital		
Balance at beginning of period	$ 118,796	$ 118,796
Balance at end of period	118,796	118,796
Contributed surplus		
Balance at beginning of period	8,103	8,015
Share-based compensation – expensed	16	37
Share-based compensation – capitalized	1	4
Balance at end of period	8,120	8,056
Accumulated other comprehensive loss		
Balance at beginning of period	(2,254)	(1,078)
Exchange differences translation of foreign operations	(1,530)	(2,065)
Balance at end of period	(3,784)	(3,143)
Deficit		
Balance at beginning of period	(83,111)	(83,814)
Net (loss) income	(577)	1,863
Balance at end of period	(83,688)	(81,951)
Total shareholders' equity	$ 39,444	$ 41,758

See accompanying notes to the interim condensed consolidated financial statements.

BENGAL ENERGY LTD.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Thousands of Canadian dollars)

(unaudited)

	Notes	Three months ended September 30 2023	Three months ended September 30 2022	Six months ended September 30 2023	Six months ended September 30 2022
Operating activities:					
Net (loss) income		$ (213)	$ 1,471	$ (577)	$ 1,863
Add (deduct) non-cash items					
Depletion and depreciation		284	244	585	511
Accretion on decommissioning and restoration liability		44	44	88	73
Share-based compensation		7	19	16	37
Interest on lease liability		-	1	-	2
Unrealized foreign exchange loss (gain)		1	(5)	3	(30)
Funds from operations		123	1,774	115	2,456
Change in non-cash working capital	15	(766)	(721)	(860)	(386)
Net cash (used in) from operating activities		(643)	1,053	(745)	2,070
Investing activities:					
Exploration and evaluation expenditures	5	(1)	(475)	(41)	(1,969)
Property, plant and equipment expenditures	6	(113)	(1,711)	(286)	(3,633)
Additions to corporate assets	6	-	-	-	(2)
Research and development credits received	6	649	-	649	-
Change in non-cash working capital	15	(245)	169	186	32
Net cash from (used in) investing activities		290	(2,017)	508	(5,572)
Financing activities:					
Lease payments		(11)	(10)	(21)	(19)
Net cash used in financing activities		(11)	(10)	(21)	(19)
Net decrease in cash and cash equivalents		((364)	(974)	(258)	(3,521)
Cash and cash equivalents, beginning of period		880	2,849	795	5,413
Impact of foreign exchange on cash and cash equivalents		(5)	(3)	(26)	(20)
Cash and cash equivalents, end of period		$ 509	$ 1,872	$ 511	$ 1,872

See accompanying notes to the interim condensed consolidated 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, development and production of oil and gas reserves in Australia. The interim condensed consolidated financial statements (the "financial statements") of the Company for the three and six months ended September 30, 2023 and 2022 are comprised of the Company and its wholly-owned subsidiaries including Bengal Energy Australia (Pty) Ltd. ("Bengal Pty") and Bengal Energy International Inc., which are incorporated in Australia and Canada respectively. The Company conducts many of its activities jointly with others; these financial statements reflect only the Company's proportionate interest in such activities.

The Company has its registered office at 2400, 525 – 8th Avenue SW, Calgary, Alberta T2P 1G1 and its head and principal office at 1110, 715 – 5th Ave SW, Calgary, Alberta, Canada, T2P 2X6.

2. BASIS OF PREPARATION

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

These financial statements were approved and authorized for issuance by the Board of Directors on November 9, 2023.

The consolidated financial statements are prepared on a historical cost basis except as detailed in the accounting policies disclosed in the Company's audited consolidated financial statements for the year ended March 31, 2023. The Company's presentation currency is Canadian dollars. The functional currency of the Canadian parent entity is Canadian dollars; the functional currency of the Australian subsidiary is Australian dollars.

Evolving Demand for Energy - Changing Regulation

Emission, carbon, and other regulations impacting climate and climate-related matters are dynamic and constantly evolving. With respect to environmental, social, and governance ("ESG") and climate reporting, the International Sustainability Standards Board has issued an IFRS Sustainability Disclosure Standard with the aim to develop sustainability disclosure standards that are globally consistent, comparable, and reliable. In addition, the Canadian Securities Administrators have issued a proposed National Instrument 51-107 Disclosure of Climate-related Matters. The cost and financial reporting impact of compliance with these standards, and others that may be developed or evolve over time, has not yet been quantified by the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used to prepare these financial statements are consistent with those described in Note 3 of the Company's consolidated financial statements for the year ended March 31, 2023.

4. MANAGEMENT JUDGMENTS AND ESTIMATES

The timely preparation of the financial statements requires management to make judgments, estimates and assumptions 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. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant estimates and judgments made by management in the preparation of these financial statements are outlined below.

The economic climate may have significant adverse impacts on the Company, including material declines in revenue and cash flows, and related impacts to working capital levels and/or debt balances, which may also have a direct impact on the Company's operating results and financial position. These and other factors may adversely affect the Company's liquidity and the Company's ability to generate income and cash flows to meet the Company's current and future obligations. A full list of the critical judgments in applying accounting policies and key sources of estimation uncertainty can be found in the Company's consolidated financial statements for the year ended March 31, 2023.

5. EXPLORATION AND EVALUATION ASSETS ("E&E ASSETS")

($000s)		
Balance, April 1, 2022	$	10,352
Additions		2,227
Capitalized share-based compensation		5
Exchange adjustments		(336)
Balance, March 31, 2023	**$**	**12,248**
Additions		41
Capitalized share-based compensation		1
Exchange adjustments		(455)
Balance, September 30, 2023	**$**	**11,835**

A summary of E&E assets is shown in the table below:

($000s)		
ATP 732 / PCA 332 - Tookoonooka	$	7,565
PL 303 – Barta Block Cuisinier (controlling permit ATP 752)		2,546
ATP 934 – Barrolka		2,111
Other		26
Balance, March 31, 2023	**$**	**12,248**

($000s)		
ATP 732 / PCA 332 – Tookoonooka	$	7,312
PL 303 – Barta Block Cuisinier (controlling permit ATP 752)		2,452
ATP 934 – Barrolka		2,046
Other		25
Balance, September 30, 2023	**$**	**11,835**

Exploration and evaluation assets consist of the Company's exploration projects in Australia, 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 completed, and the results have been evaluated.

6. PROPERTY, PLANT AND EQUIPMENT ("PP&E")

($000s)	**Petroleum and natural gas properties**	**Other assets**	**Right-of-use assets**	**Total**
Cost:				
Balance, April 1, 2022	$ 52,317	$ 346	$ 143	$ 52,806
Additions	5,486	2	-	5,488
Capitalized share-based compensation	2	-	-	2
Change in decommissioning and restoration liability	1,663	-	-	1,663
Exchange adjustments	(2,292)	(1)	-	(2,293)
Balance, March 31, 2023	**57,176**	**347**	**143**	**57,666**
Additions	286	-	-	286
Research and development credit	(649)	-	-	(649)
Change in decommissioning and restoration liability	(590)	-	-	(590)
Exchange adjustments	(2,833)	(1)	-	(2,834)
Balance, September 30, 2023	**53,390**	**346**	**143**	**53,879**

($000s)	**Petroleum and natural gas properties**	**Other assets**	**Right-of-use assets**	**Total**
Accumulated depletion, depreciation and impairment loss:				
Balance, March 31, 2022	22,878	329	91	23,298
Depletion and depreciation	1,039	3	30	1,072
Exchange adjustments	(1,370)	-	-	(1,370)
Balance, March 31, 2023	**22,547**	**332**	**121**	**23,000**
Depletion and depreciation	569	1	15	585
Exchange adjustments	(1,563)	-	-	(1,563)
Balance, September 30, 2023	**21,553**	**333**	**136**	**22,022**

($000s)				
Net carrying amount:				
Balance, March 31, 2023	34,629	15	22	34,666
Balance, September 30, 2023	**31,837**	**13**	**7**	**31,857**

At September 30, 2023 and March 31, 2023, there were no external or internal indicators of impairment. As a result, a quantitative impairment test was not performed. During the three and six months ended September 30, 2023, the Company capitalized $0.1 million general and administrative expenses (2022 - $0.1 million).

The calculation of depletion for the three months ended September 30, 2023, included $80.4 million for estimated future development costs associated with proved and probable reserves in Australia (March 31, 2023 - $80.4 million).

The Company received a tax credit of $0.7 million on its research and development costs incurred in the fiscal year March 31, 2023. The credit is recorded as a credit to property, plant and equipment and receivable in the period the Company received the assessment from the Australian Tax Office.

7. DECOMMISSIONING AND RESTORATION LIABILITY

Changes to decommissioning and restoration obligations were as follows:

($000s)		
Balance, April 1, 2022	$	3,379
Change in estimate		1,663
Accretion		164
Exchange adjustments		(110)
Balance, March 31, 2023	**$**	**5,096**
Change in estimate		(590)
Accretion		88
Exchange adjustments		(186)
Balance, September 30, 2023	**$**	**4,408**

The Company's decommissioning liabilities result from ownership interests in petroleum and natural gas properties. The Company estimates the total unadjusted and uninflated cash flows required to settle its decommissioning and restoration costs at September 30, 2023 is approximately $3.2 million (March 31, 2023 – $3.7 million) which will be incurred between 2025 and 2060. An inflation factor of 6.0% (March 31, 2023 – 6.5%) and a risk-free discount rate of 4.0% (March 31, 2023 – 3.5%) have been applied to the decommissioning liability at September 30, 2023.

8. SHARE CAPITAL

Authorized:

Unlimited number of common shares with no par value.

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

Issued:

The following provides a continuity of share capital:

	Number of common shares	Amount ($000s)
Balance, March 31, 2023	485,304,215	118,796
Balance, September 30, 2023	485,304,215	118,796

9. SHARE-BASED COMPENSATION

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

Stock options granted under the plan can be exercised on a cashless basis, whereby the recipient receives a lesser amount of shares in lieu of paying the exercise price based on the deemed market price of the shares on the exercise date, and withholding taxes if the employee so elects.

A summary of stock option activity is presented below:

	Options	Weighted average exercise price
Balance, March 31, 2022	12,445,000	0.08
Granted	300,000	0.11
Expired	(1,825,000)	0.10
Balance, March 31, 2023	10,920,000	0.08
Balance, September 30, 2023	**10,920,000**	**0.08**
Exercisable, September 30, 2023	**6,730,000**	**0.08**

10. REVENUE

Revenue from the sales of crude oil is based on the consideration specified in the Liquids Aggregation Agreement with the joint venture operator. The Company recognizes revenue when it transfers control of the product to the buyers, which, under the current Crude Oil Transportation Agreement is generally at the time the Crude Oil purchasers obtain legal title of the crude oil when it is physically lifted onto a Crude Oil carrying vessel at the Port Bonython lifting facility. At the time of lifting, the transaction price is based on average US Brent price and adjusted for quality and other factors specified in the Liquids Aggregation Agreement. The transaction price as prescribed in the Liquids Aggregation Agreement is a variable price based on the benchmark US Brent commodity price index, and may be adjusted for quality, location, delivery method or other factors depending on the agreed upon terms of the contract. The amount of revenue recorded can vary depending on the grade, quality and quantity of crude oil transferred to the joint venture operator. Revenues are typically collected 60 days following delivery to Port Bonython. Effective July 1, 2022, the Cuisinier Joint Venture negotiated a revised Liquids Aggregation Agreement with corresponding transportation agreements through to December 31, 2023.

During the Q2 fiscal 2023, the Cuisinier JV was notified by the operator of a misallocation of sales revenue received in May 2020, at which time the purchasing party under the former Crude Oil Sales and Purchase Agreement had overallocated its purchase volumes to the Cuisinier Joint Venture, which resulted in a corresponding under reporting of crude oil stock inventory. In July of 2022, the Company received a net payment of $1.1 million from the operator representing the difference between the historic pricing in May 2020 and current pricing on the additional crude oil stock which has been reflected as other income.

11. PER SHARE AMOUNTS

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

($000s except per share amounts)	**Three months ended September 30,**		**Six months ended September 30,**	
	2023	**2022**	**2023**	**2022**
Net (loss) income for the period	(213)	$ 1,471	(577)	$ 1,863
Weighted average number of common shares				
– basic (000s)	485,304	485,304	485,304	485,304
– diluted (000s)	485,304	486,132	485,304	487,528
Basic and diluted (loss) income per share	**$ (0.00)**	**$ 0.00**	**$ (0.00)**	**$ 0.00**

For the three and six months ended September 30, 2023, 10,920,000 (2022 - nil) of the options were considered anti-dilutive.

12. FINANCE EXPENSE

($000s)	**Three months ended September 30,**		**Six months ended September 30,**	
	2023	**2022**	**2023**	**2022**
Interest income	$ -	$ (7)	$ -	$ (12)
Accretion on decommissioning and restoration liability	44	44	88	73
Interest on lease liability	-	1	-	2
Interest – other	2	2	8	4
	$ 46	**$ 40**	**$ 96**	**$ 67**

13. FINANCIAL RISK MANAGEMENT

The Company has exposure to credit, liquidity and market risk from its use of financial instruments. This note presents information about the Company's exposure to these risks, the Company's objectives and policies and processes for measuring and managing risk.

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

(a) 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, 2023, Bengal's receivables consisted of $1.8 million (March 31, 2023 - $1.1 million) from joint venture partners (all of which has been collected subsequent to period end).

Bengal has a Liquids Aggregation Agreement with a 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.

The Company had no accounts considered past due at September 30, 2023 (March 31, 2023 - $nil). Past due is considered greater than 90 days outstanding.

The carrying amount of accounts receivable and cash and cash equivalents represents the maximum credit exposure. Bengal establishes an allowance for doubtful accounts as determined by management based on their assessment of collection. Bengal does not have an allowance for doubtful accounts as at September 30, 2023 (March 31, 2023 – $nil) and did not provide for any doubtful accounts, nor was it required to write-off any receivables during the three and six months ended September 30, 2023.

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.

(b) 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 trade and other payables and lease liability and amounted to $2.9 million at September 30, 2023 (March 31, 2023 - $3.1 million).

At September 30, 2023, the Company had working capital, which the Company defines as total current assets less total current liabilities, excluding other obligations and current portion of decommissioning obligations, of $0.2 million, including cash and cash equivalents of $0.5 million, compared to a working capital deficit of $0.3 million at March 31, 2023. The Company expects that its cashflows generated from operations will be sufficient to meet its ongoing operating and general expenses, however additional capital will be required to meet future capital commitments and to fund future planned capital projects.

The majority of the Company's oil sales are benchmarked on US Brent prices. The Company incurs most of its expenditures in Australian dollars whereas the Company generates most of its revenues in US dollars. The Company is acting with its joint venture partners to reduce discretionary operational spending and limiting its capital expenditures capital towards lower risk projects that meet its internal economic hurdles and are expected to offer near-term cash flow upside.

(c) Market risk

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

Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. Bengal receives US dollars for Australian oil sales and incurs expenditures in Australian and Canadian currencies. The Company may enter into derivative foreign currency contracts in order to manage foreign currency risk but has not done so to date.

The table below shows the Company's exposure in Canadian dollar equivalent to foreign currencies for its financial instruments at September 30, 2023:

($000s)	**CAD$**	**AUS$**	**US$**	**Total**
Cash and cash equivalents	184	56	271	511
Trade and other receivables	7	557	1,248	1,812
Trade and other payables	(221)	(2,709)	-	(2,930)
Lease liability	(11)	-	-	(11)
	(41)	**(2,096)**	**1,519**	**(618)**

Exchange rates at September 30,	**2023**	**2022**
Number of CAD$ for 1 AUS$	0.87	0.89
Number of CAD$ for 1 US$	1.36	1.37

Commodity Price Risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of a change in commodity prices. Commodity prices for petroleum and natural gas are impacted by not only the relationship between the Canadian and United States dollar, as outlined above, but also world economic events that dictate the levels of supply and demand. Australian oil prices are based on the US Brent reference price, which currently trades at a premium to WTI. The Company had no commodity price derivatives at September 30, 2023 and 2022.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's exposure to interest rate risk on its cash and cash equivalents at September 30, 2023 is restricted to investments with a maturity of three months or less. The Company had no interest rate derivatives at September 30, 2023 and 2022.

14. CAPITAL MANAGEMENT

The Company's policy is to maintain a sufficient capital base for the objectives of maintaining financial flexibility which will allow it to operate effectively and provide creditor and market confidence allowing for financing opportunities in support of future accretive capital projects.

The Company manages its capital structure and makes adjustments by continually monitoring its business conditions, including changes in economic conditions, the risk profile of its project inventory, the efficiencies of past investments, the efficiencies of forecasted investments and the timing of such investments, the forecasted cash balances, the forecasted commodity prices and resulting cash flow.

In order to maintain or adjust the capital structure, the Company may from time to time issue shares (if available on reasonable terms), issue debt instruments, sell assets, farm out properties and adjust its capital spending to manage current and projected cash levels. There can be no assurance that equity financing will be available or sufficient to meet capital commitments, or for other corporate purposes, or if equity financing is available, that it will be on terms acceptable to the Company.

15. SUPPLEMENTAL CASH FLOW INFORMATION

Change in non-cash working capital items ($000s)	Three months ended September 30, 2023	2022	Six months ended September 30, 2023	2022
Trade and other receivables	(531)	(704)	(727)	404
Prepaid expenses and deposits	35	51	125	161
Trade and other payables	(518)	(164)	(105)	(910)
Effect of change in foreign currency rates	3	265	33	(9)
	(1,011)	**(552)**	**(674)**	**(354)**
Attributed to:				
Operating	(766)	(721)	(860)	(386)
Investing	(245)	169	186	32
	(1,011)	**(552)**	**(674)**	**(354)**

The following represents the cash interest paid and received in each period:

Cash interest paid and received ($000s)	Three months ended September 30, 2023	2022	Six months ended September 30, 2023	2022
Cash interest paid	-	3	5	5
Cash interest received	-	7	-	12

16. COMMITMENTS

The Queensland Government regulatory authority granted the Company Authority to Prospect 934 ("ATP 934") under a revised work program on March 1, 2015. In Q4 fiscal 2018, the Company consolidated its ownership of ATP 934, resulting in a 100% and 40% operating interest in the northern and southern block of this permit respectively. The work program consists of 260 km2 of 3D seismic and up to three wells. In February 2023, the Company extended its ATP 732 permit and received a Potential Commercial Area (“PCA”) over 343 km2. This included additional work commitments related to both ATP 732 and PCA 332 as outlined below.

At September 30, 2023, the Company had the following capital work commitments:

Permit	Work Program	Obligation period ending	Estimated expenditure (net) (millions CA$)(1)
ATP 934 – Onshore Australia	260 km^2 3D seismic and up to three wells	February 2027	7.8
ATP 732 – Onshore Australia	Geological and up to three wells	February 2029	6.6
PCA 332 – Onshore Australia	Initial Production testing	February 2029	3.8
	Extended Production testing	February 2035	2.3

(1) Translated at September 30, 2023 at an exchange rate of AUS$1.00 = CAD$0.8726.

At September 30, 2023, 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	**11**	11	-	-	-
Decommissioning and restoration	**4,408**	-	813	-	3,595
	4,419	**11**	**813**	**-**	**3,595**

17. SEGMENTED INFORMATION

As at September 30, 2023, the Company has two reportable operating segments being the Australian oil and gas operations and corporate.

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 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.

($000s) Six months ended September 30, 2023	Australia	Corporate	Total
Revenue	3,609	-	3,609
Interest expense	6	1	7
Depletion and depreciation	569	16	585
Net loss	(126)	(451)	(577)
Exploration and evaluation expenditures	42	-	42
Property, plant and equipment expenditures	286	-	286
($000s) As at September 30, 2023			
Exploration and evaluation assets	11,835	-	11,835
Property, plant and equipment	31,837	20	31,857
Total assets	46,568	225	46,793
Total liabilities	7,117	232	7,349
($000s) Six months ended September 30, 2022			
Revenue	4,598	-	4,598
Interest expense (income)	4	(10)	(6)
Depletion and depreciation	494	17	511
Net income (loss)	2,347	(484)	1,863
Exploration and evaluation expenditures	1,969	-	1,969
Property, plant and equipment expenditures	3,633	-	3,633
($000s) As at March 31, 2023			
Exploration and evaluation assets	12,248	-	12,248
Property, plant and equipment	34,666	-	34,666
Total assets	49,440	257	49,697
Total liabilities	7,910	253	8,163

($000s) Three months ended September 30, 2023	Australia	Corporate	Total
Revenue	1,937	-	1,937
Interest expense	-	1	1
Depletion and depreciation	276	8	284
Net loss	(12)	(201)	(213)
Exploration and evaluation expenditures	2	-	2
Property, plant and equipment expenditures	113	-	113
($000s) Three months ended September 30, 2022	**Australia**	**Corporate**	**Total**
Revenue	2,135	-	2,135
Interest expense (income)	2	(11)	(9)
Depletion and depreciation	235	9	244
Net income (loss)	1,703	(232)	1,471
Exploration and evaluation expenditures	475	-	475
Property, plant and equipment expenditures	1,711	-	1,711

CORPORATE INFORMATION

AUDITORS

KPMG LLP • Calgary, Canada

LEGAL COUNSEL

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Piper Alderman • Sydney, Australia

BANKERS

Royal Bank of Canada • Calgary, Canada
WestPac • Sydney, Australia

REGISTRAR AND TRANSFER AGENT

Computershare • Toronto, Canada

DIRECTORS

Chayan Chakrabarty
Peter Lansom
Dr. Brian J. Moss
Robert D. Steele (Chairman)
W. B. (Bill) Wheeler

DISCLOSURE COMMITTEE

Chayan Chakrabarty
Jerrad Blanchard

AUDIT COMMITTEE

Robert D. Steele (Chairman)
W. B. (Bill) Wheeler

RESERVES COMMITTEE

Dr. Brian J. Moss (Chairman)
Peter Lansom
Robert D. Steele

COMPENSATION COMMITTEE

Dr. Brian J. Moss (Chairman)
Robert D. Steele
Peter Lansom

GOVERNANCE AND NOMINATING COMMITTEE

W.B. (Bill) Wheeler (Chairman)
Robert D. Steele

HEALTH, SAFETY AND ENVIRONMENT COMMITTEE

Peter Lansom (Chairman)
Robert D. Steele
Dr. Brian J. Moss

OFFICERS

Chayan Chakrabarty, President & Chief Executive Officer
Richard N. Edgar, Executive Vice President
Jerrad Blanchard, Chief Financial Officer
Bruce Allford, Secretary

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