Condensed Consolidated Interim Financial Statements (unaudited)

Three and Nine Months Ended December 31, 2015 and 2014

BENGAL ENERGY LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Thousands of Canadian dollars)

(unaudited)

As at	Notes	December 31, 2015	March 31, 2015
ASSETS			
Current assets:			
Cash and cash equivalents		**$ 2,678**	$ 1,749
Restricted cash		**140**	140
Accounts receivable		**2,872**	3,109
Prepaid expenses and deposits		**223**	348
Fair value of financial instruments	**11**	**6,502**	2,164
		12,415	7,510
Non-current assets:			
Exploration and evaluation assets	**4**	**30,498**	28,245
Petroleum and natural gas properties	**5**	**26,731**	27,122
Fair value of financial instruments	**11**	**2,709**	2,802
		59,938	58,169
Total assets		**$ 72,353**	$ 65,679
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities		**$ 3,154**	$ 2,289
Current portion of credit facility	**7**	**10,748**	-
		13,902	2,289
Non-current liabilities:			
Decommissioning liability	**8**	**1,535**	1,454
Credit facility	**7**	**8,268**	16,982
Other long-term liabilities	**6**	**1**	3
		9,804	18,439
Shareholders' equity:			
Share capital		**94,151**	94,151
Contributed surplus		**7,425**	7,341
Warrants	**6**	**167**	167
Accumulated other comprehensive Income (loss)		**2,158**	(130)
Deficit		**(55,254)**	(56,578)
		48,647	44,951
Total liabilities and shareholders' equity		**$ 72,353**	$ 65,679

Commitments and contingencies (note 13)

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 December 31, 2015	Three months ended December 31, 2014	Nine months ended December 31, 2015	Nine months ended December 31, 2014
Income					
Petroleum and natural gas revenue		**$ 1,838**	$ 3,944	**$ 8,934**	$ 12,291
Royalties		**(133)**	(369)	**(622)**	(855)
		1,705	3,575	**8,312**	11,436
Realized gain on financial instruments		**838**	174	**2,007**	174
Unrealized gain on financial instruments		**1,663**	4,522	**3,802**	4,522
		4,206	8,271	**14,121**	16,132
Operating expenses					
General and administrative		**649**	759	**1,973**	2,506
Operating and transportation		**1,432**	1,794	**5,006**	4,520
Depletion and depreciation	5	**1,084**	1,562	**3,772**	3,851
Pre-licensing & impairment		**-**	3,966	**-**	4,762
Share-based compensation		**26**	42	**74**	147
		3,191	8,123	**10,825**	15,786
Operating income		**1,015**	148	**3,296**	346
Other (expenses) income					
Other expenses		**(2)**	(11)	**(2)**	(353)
Finance expenses	10	**(336)**	(749)	**(964)**	(1,324)
Foreign exchange (loss) gain		**736**	(681)	**(1,006)**	(789)
		398	(1,441)	**(1,972)**	(2,466)
Net income (loss)		**1,413**	(1,293)	**1,324**	(2,120)
Exchange differences on translation of foreign operations		**3,286**	(867)	**2,288**	(3,148)
Total comprehensive income (loss) for the period		**$ 4,699**	$ (2,160)	**$ 3,612**	$ (5,268)
Earnings (loss) per share	9				
- Basic & diluted		**$ 0.02**	$ (0.02)	**$ 0.02**	$ (0.03)
Weighted average number of shares outstanding (000s)	9				
- Basic		**68,178**	64,692	**68,178**	64,689
- Diluted		**68,178**	64,692	**68,283**	64,689

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	Warrants	Contributed surplus	Accumulated other comprehensive income	Deficit	Total shareholders' equity
Balance at April 1, 2014	64,667,082	$ 93,151	$ 167	$ 7,141	$ 1,536	$ (53,406)	$ 48,589
Net loss for the period	-	-	-	-	-	(2,120)	(2,120)
Comprehensive loss for the period	-	-	-	-	(3,148)	-	(3,148)
Issuance of common shares, net of issuance costs	25,000	24	-	(10)	-	-	14
Share-based compensation – expensed	-	-	-	147	-	-	147
Share-based compensation – capitalized	-	-	-	36	-	-	36
Balance at December 31, 2014	64,692,082	$ 93,175	$ 167	$ 7,314	$ (1,612)	$ (55,526)	$ 43,518
Balance at April 1, 2015	**68,177,796**	**$ 94,151**	**$ 167**	**$ 7,341**	**$ (130)**	**$ (56,578)**	**$ 44,951**
Net income for the period	-	-	-	-	-	**1,324**	**1,324**
Comprehensive income for the period	-	-	-	-	**2,288**	-	**2,288**
Share-based compensation – expensed	-	-	-	**74**	-	-	**74**
Share-based compensation – capitalized	-	-	-	**10**	-	-	**10**
Balance at December 31, 2015	**68,177,796**	**94,151**	**$ 167**	**$ 7,425**	**$ 2,158**	**$ (55,254)**	**$ 48,647**

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)

	Notes	Three Months Ended December 31, 2015	Three Months Ended December 31, 2014	Nine Months Ended December 31, 2015	Nine Months Ended December 31, 2014
Operating activities					
Net income (loss) for the period		**$ 1,413**	$ (1,293)	**$ 1,324**	$ (2,120)
Non-cash items:					
Depletion and depreciation		**1,084**	1,562	**3,772**	3,851
Pre-licensing & impairment		**-**	3,966	**-**	4,762
Accretion on decommissioning liability		**8**	4	**24**	11
Accretion on notes payable and credit facility /change in fair value of VARs		**110**	422	**324**	510
Share-based compensation		**26**	42	**74**	147
Unrealized gain on financial instruments		**(1,663)**	(4,522)	**(3,802)**	(4,522)
Unrealized foreign exchange (gain) loss		**(873)**	1,137	**893**	1,064
		105	1,318	**2,609**	3,703
Change in non-cash working capital	12	**830**	174	**1,293**	2,240
Net cash from operating activities		**935**	1,492	**3,902**	5,943
Investing activities					
Exploration and evaluation expenditures		**(174)**	(1,978)	**(666)**	(2,922)
Petroleum and natural gas properties		**(1,137)**	(2,511)	**(2,349)**	(8,131)
Changes in non-cash working capital	12	**577**	72	**(43)**	(66)
Net cash used in investing activities		**(734)**	(4,417)	**(3,058)**	(11,119)
Financing activities					
Proceeds from issuance of shares, net of issuance costs		**-**	-	**-**	14
Proceeds from issuance of credit facility, net of Issuance costs		**-**	14,520	**-**	14,520
Repayment of notes		**-**	(8,000)	**-**	(8,000)
Decrease in prepaid financing charges		**-**	134	**-**	-
Changes in non-cash working capital	12	**13**	(46)	**(30)**	(190)
Net cash from financing activities		**13**	6,608	**(30)**	6,344
Impact of foreign exchange on cash and cash equivalents		**171**	(127)	**115**	(283)
Net increase (decrease) in cash and cash equivalents		**385**	3,556	**929**	885
Cash and cash equivalents, beginning of period		**2,293**	3,313	**1,749**	5,984
Cash and cash equivalents, end of period		**$ 2,678**	6,869	**$ 2,678**	$ 6,869

See accompanying notes to the 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 and production of oil and gas reserves in Australia, India and Canada. The condensed consolidated interim financial statements of the Company as at December 31, 2015 and 2014 and for the three and nine months ended December 31, 2015 and 2014 are comprised of the Company and its wholly-owned subsidiaries Bengal Energy International Inc., Bengal Energy Australia (Pty) Ltd. and Northstar Energy 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 and the registered office is at Burnet, Duckworth & Palmer LLP, Suite 2400, 525 - 8th Ave SW, Calgary, Alberta, Canada T2P 1G1.

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, 2015.

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, 2015.

The condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors on February 10, 2016.

b) Basis of measurement

These condensed consolidated financial statements have been prepared on a historical cost basis, except for commodity contracts as discussed in Note 3.

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 Indian subsidiary is US dollars and the functional currency of the Australian subsidiary is Australian dollars.

3. DETERMINATION OF FAIR VALUES

A number of IFRS require the determination of fair value for financial and non-financial assets and liabilities.

Fair Value Hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into three categories based on the degree to which fair value is observable:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis;

Level 2 - Valuations are based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; including forward prices for commodities, time value and volatility factors which can be substantially observed or corroborated in the marketplace;

Level 3 - Inputs that are not based on observable data for the asset or liability.

Financial instruments comprise cash, cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities, credit facility and derivatives.

The Company's policy is to recognize transfers in and out of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfer. There were no such transfers during the period.

Fair values have been determined for measurement and disclosure purposes as follows:

a) Cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities

The fair values of these financial instruments approximate their carrying amounts due to their short-term maturity.

b) Credit facility

The fair value of the Company’s credit facility approximates its carrying value as it bears interest at floating rates and the applicable margin is indicative of the Company’s current credit risk.

c) Derivatives

The Company’s commodity contracts (swaps and put options) are measured at level 2 of the fair value hierarchy. The fair value of the swap component is determined by discounting the difference between the contracted prices and published forward price curves as at the period end date, using the remaining contracted oil volumes and a risk-free interest rate. The fair value of puts are based on option models that use published information with respect to volatility, prices and interest rates.

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

($000s)	Exploration and Evaluation Expenditures
Balance at April 1, 2014	26,821
Additions	3,189
Capitalized share-based compensation	10
E&E impairment loss	(1,592)
Exchange adjustments	(183)
Balance at March 31, 2015	**28,245**
Additions	**556**
Acquisition	**110**
Capitalized share-based compensation	**4**
E&E impairment loss	**-**
Exchange adjustments	**1,583**
Balance at December 31, 2015	**30,498**

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.

5. PETROLEUM AND NATURAL GAS PROPERTIES

$000s	Petroleum and Natural Gas Properties	Corporate Assets	Total
Cost:			
Balance at April 1, 2014	28,404	318	28,722
Additions	10,274	-	10,274
Non-cash additions	53	-	53
Capitalized share-based compensation	30	-	30
Change in decommissioning obligation	1,118	-	1,118
Exchange adjustments	(1,178)	24	(1,154)
Balance at March 31, 2015	38,701	342	39,043
Additions	**2,349**	**-**	**2,349**
Capitalized share-based compensation	**6**	**-**	**6**
Exchange adjustments	**1,101**	**3**	**1,104**
Balance at December 31, 2015	**42,157**	**345**	**42,502**

$000s	Petroleum and Natural Gas Properties	Corporate Assets	Total
Accumulated depletion, depreciation and impairment losses:			
Balance at April 1, 2014	6,819	234	7,053
Depletion and depreciation charge	4,800	32	4,832
Exchange adjustments	59	(23)	36
Balance at March 31, 2015	11,678	243	11,921
Depletion and depreciation charge	**3,753**	**19**	**3,772**
Exchange adjustments	**75**	**3**	**78**
Balance at December 31, 2015	**15,506**	**265**	**15,771**
Net carrying value			
At March 31, 2015	27,023	99	27,122
At December 31, 2015	**26,651**	**80**	**26,731**

The calculation of depletion for the quarter ended December 31, 2015 included $123.8 million for estimated future development costs associated with proved and probable reserves in Australia (March 31, 2015 - $123.8 million).

As at December 31, 2015, the decline in oil prices was identified as an impairment indicator and an impairment test was performed. Based on the impairment test performed, the net present value of future cash flows exceeded the carrying value of the CGU and no impairment was recorded for the period ended December 31, 2015.

6. NOTES PAYABLE

Non-Convertible Notes – Issued July 5, 2013 ($000s)	Total	Debt Component	Other long-term liability	Warrants
Gross proceeds	8,000	7,593	178	229
Total cash fees	(257)	(256)	6	(7)
	7,743	7,337	184	222
Accretion on debt/change in fair value of VARs	482	663	(181)	-
Deferred tax impact	(55)	-	-	(55)
Repayment	(8,000)	(8,000)	-	-
Balance at March 31, 2015	170	-	3	167
Change in fair value of VARs	**(2)**	**-**	**(2)**	**-**
Balance at December 31, 2015	**168**	**-**	**1**	**167**

7. CREDIT FACILITY

Facility Agreement – Issued November 12, 2014 ($000s)		
Gross proceeds		15,364
Total cash fees		(844)
		14,520
Unrealized foreign exchange loss		2,307
		16,827
Accretion		155
Balance at March 31, 2015		**16,982**
Unrealized foreign exchange loss		**1,708**
Accretion		**326**
Balance at December 31, 2015		**19,016**
Current portion of credit facility at	**December 31, 2015**	**March 31, 2015**
Current portion of credit facility	**10,748**	-
Non-current portion of credit facility	**8,268**	16,982

In October 2014, Bengal closed its US $25.0 million secured credit facility with Westpac Institutional Bank and placed an initial draw on November 12, 2014 of US $14.0 million. The facility is secured by the Company's producing assets in the Cuisinier field in Australia's Cooper Basin, has a three-year term and carries an interest rate of US Libor plus 3.2% to 3.5% depending on certain reserve forecast parameters.

The credit facility is structured as a reserves-based revolving facility under a predetermined reduction schedule, to be evaluated based on existing reserves at each calculation date. Calculation dates commence December 31, 2015 and occur every six months thereafter until June 30, 2017 with a nominal reduction of $6.25 million to the facility limit at each calculation date based on the Company's existing reserve profile. The facility limit at December 31, 2015, is US $18.75 million. The current portion of the credit facility (US $7.75 million/CAD $10.75 million) reflects the December 31, 2016 reduction of the available facility to US $6.25 million.

The credit facility's covenants include a debt service coverage ratio (cash available for debt payments divided by mandatory debt repayments) as well as a loan life coverage ratio (net present value of future cash available for debt service divided by the available facility). These covenants impact the Company's ability to secure its debt as a percentage of reserve forecasts and are evaluated at each calculation date. These covenants are calculated using inputs as prescribed by Westpac. There are no financial covenants associated with this credit facility. The Company was in compliance with the stated covenants at December 31, 2015.

8. DECOMMISSIONING AND RESTORATION LIABILITY

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:

($000s)	December 31, 2015	March 31, 2015
Decommissioning liabilities, beginning of period	**1,454**	358
Revision	**-**	901
Decommissioning expenditures	**-**	(19)
Additions	**-**	217
Accretion	**24**	15
Exchange adjustments	**57**	(18)
Decommissioning liabilities, end of period	**1,535**	1,454

The Company's decommissioning liabilities result from ownership interests in petroleum and natural gas properties. The Company estimates the total inflation-adjusted undiscounted amount of cash flows required to settle its decommissioning and restoration costs at December 31, 2015 is approximately $2.0 million (March 31, 2015 – $2.0 million) which will be incurred between 2018 and 2035. An inflation factor of 2.0% and a risk-free discount rate ranging between 1.4% and 2.3% have been applied to the decommissioning liability at December 31, 2015.

9. 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) Share-based compensation – stock options:

A SUMMARY OF STOCK OPTION ACTIVITY IS PRESENTED BELOW:

	Options	Weighted Average Exercise Price
Outstanding at March 31, 2015	**3,515,000**	**$ 0.89**
Granted	**1,072,500**	**0.18**
Forfeited	**-**	**-**
Expired	**(230,000)**	**0.86**
Exercised	**-**	**-**
Outstanding at December 31, 2015	**4,357,500**	**0.72**
Exercisable at December 31, 2015	**3,215,000**	**0.90**

(c) Per share amounts:

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

	Three months ended December 31,		Nine months ended December 31,	
($000s)	**2015**	2014	**2015**	2014
Income (loss) for the period	**$ 1,413**	$ (1,293)	**$ 1,324**	$ (2,120)
Weighted average number of common shares (basic)	**68,178**	64,692	**68,178**	64,689
Weighted average number of common shares (diluted)	**68,178**	64,692	**68,283**	64,689
Basic and diluted income per share	**$ 0.02**	$ (0.02)	**$ 0.02**	$ (0.03)

For the three and nine months ended December 31, 2015, there were 4,357,500 and 3,285,000 (March 31, 2015 – 3,515,000) options respectively considered anti-dilutive.

In addition, there were 703,125 warrants and 546,875 value appreciation rights considered anti-dilutive.

10. FINANCE INCOME/EXPENSES

($000s)	Three months ended December 31, 2015	2014	Nine months ended December 31, 2015	2014
Interest income	**2**	4	**7**	13
Accretion on decommissioning obligations	**(8)**	(4)	**(24)**	(11)
Letter of credit charges	**-**	-	**14**	-
Interest on notes payable and credit facility	**(333)**	(381)	**(963)**	(870)
Accretion on notes payable and change in fair value of VARs	**3**	(368)	**2**	(456)
Finance (expenses)	**(336)**	(749)	**(964)**	(1,324)

11. 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 December 31, 2015, Bengal's receivables consisted of $2.4 million (March 31, 2015 - $2.6 million) from joint venture partners and $0.5 million (March 31, 2015 - $0.5 million) of other trade receivables of which $1.8 million has been subsequently collected.

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.

The Company had no accounts considered past due at December 31, 2015, (March 31, 2015 - $nil million). Past due is considered greater than 90 days outstanding.

The carrying amount of accounts receivable and cash and cash equivalents and fair value of financial instruments 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 December 31, 2015 and did not provide for any doubtful accounts, nor was it required to write-off any receivables during the nine months ended December 31, 2015. Exposure to the carrying value of its financial instruments relates to the Company's commodity-based derivatives held by WestPac Banking Corporation, which carries a Standard & Poor's credit rating of AA-. Management considers the credit risk of these instruments to be adequately mitigated by the credit stating of their holder, therefore no allowance has been established.

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 accounts payable and accrued liabilities, and credit facility and amounted to $22.2 million at December 31, 2015 (March 31, 2015- $19.3 million).

At December 31, 2015 the Company had $1.5 million of working capital deficiency, including cash and short-term deposits of $2.7 million and restricted cash of $0.1 million, compared to working capital of $5.2 million at March 31, 2015 and working capital of $5.3 million at December 31, 2014.

In the previous fiscal year, Bengal had finalized a US $25.0 million secured credit facility drawing US $14.0 million in November. Proceeds from this facility are restricted for use within the Cuisinier production licence.

The majority of the Company's oil sales are benchmarked on dated Brent prices which averaged US $51.96/bbl for the nine months ended December 31, 2015. The Company incurs most of its expenditures in Australian dollars whereas the Company generates most of its revenues in US dollars. To mitigate the net impact of low crude prices, the Company is acting with its joint venture partners to reduce discretionary spending and focus capital towards lower risk projects with near-term cash flow upside. The Company has also entered into derivative commodity contracts to reduce the impact of price volatility.

Bengal will continue to monitor trends in commodity prices to ensure its financial obligations are met, while continuing to grow its asset base where appropriate. Under the current commodity price environment, the Copmany has no plans to use its internal source of cash to fund exploration activates. These are expected to be financed through farm-out or alternative financing sources.

The table below indicates the payment schedule for the credit facility:

Credit facility (US $000s)	
Fiscal year 2017	7,750
Fiscal year 2018	6,250
	14,000

(c) Market risk:

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

Foreign Currency 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, US dollars for Australian oil sales and incurs expenditures in Australian, Canadian and US 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:

As at December 31, 2015 ($000s)	CAD	AUD	USD
Cash and short-term deposits	289	799	1,590
Restricted cash	140	-	-
Accounts receivable	23	2,849	-
Accounts payable and accrued liabilities	(239)	(2,886)	(29)
Other long-term liability	(1)	-	-
Credit facility	-	-	(19,016)
Fair value of financial instruments	-	-	9,211
	212	762	(8,244)

Commodity Price Risk

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of a change in commodity prices. Commodity prices for petroleum and natural gas are impacted by not only the relationship between the Canadian and United States dollar, as outlined above, but also world economic events that dictate the levels of supply and demand. Australian oil prices are based on the Dated Brent reference price, which trades at a premium to WTI.

At December 31, 2015, the following derivative contracts were outstanding and recorded at estimated fair value:

Time Period	Type of Contract	Quantity Contracted (bbls)	Price Floor (US$/bbl)	Price Ceiling (US$/bbl)
January 1, 2016 – May 31, 2017	Oil - Swap	97,965	80.00	80.00
January 1, 2016 – May 31, 2017	Oil – Put option	80,150	80.00	-
($000s)		**Oil - swap**	**Oil – put**	**Total**
Current fair value of financial instruments		3,571	2,931	**6,502**
Non-current fair value of financial instruments		1,477	1,232	**2,709**
Total		**5,048**	**4,163**	**9,211**

A US$1.00 increase in the future crude oil price per barrel would result in an approximate $178,000 decrease in the fair value of financial instruments at December 31, 2015 while a $US1.00 decrease would result in an increase of approximately US$178,000 in the fair value of the instruments.

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 is not exposed to interest rate risk on its cash and cash equivalents at December 31, 2015 as the funds are not invested in interest-bearing instruments. The Company's credit facility carries a floating interest rate based on quoted US dollar Libor rates. The Company had no interest rate derivatives at December 31, 2015.

For the nine months ended December 31, 2015, a 1% increase in US Libor would increase interest expense by $136,000.

12. CHANGES IN NON-CASH WORKING CAPITAL

Nine months ended ($000s)	December 31, 2015	December 31, 2014
Accounts receivable	237	934
Prepaid expenses and deposits	125	110
Accounts payable and accrued liabilities	865	845
Impact of foreign exchange	(7)	95
Total	1,220	1,984
Relating to:		
Operating	1,293	2,240
Financing	(30)	(190)
Investing	(43)	(66)
Total	1,220	1,984

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

Nine months ended ($000s)	December 31, 2015	December 31, 2014
Cash interest paid	892	783
Cash interest received	7	13

13. COMMITMENTS AND CONTINGENCIES

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 operating 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 India – CY-ONN-2005/1	3 wells	Currently under Force Majeure[2]	$5.8

[1] Translated at December 31, 2015 at an exchange rate of US $1.00 = CAD $1.3869.

[2] If the Company did not participate in the drilling of three wells, costs of $3.7 million would be impaired and the Company’s interest in the permit would decline.

The Queensland Government regulatory authority granted the Company Authority to Prospect 934 ("ATP 934") under a revised work program on March 1, 2015. The Company acquired an additional 21.43 % working interest and received ministerial approval for the acquisition on August 11, 2015. Currently the Company holds a 71.43% operating interest in this permit. Work program consists of 500 kilometers of 2D seismic and up to three wells.

Country and Permit	Work Program	Obligation Period Ending	Estimated Expenditure (net) (millions CAD$)[1]
Onshore Australia – ATP 934P	500 km^2 of 2D seismic and up to three wells	March 2021	$ 16.9

[1] Translated at December 31, 2015 at an exchange rate of AUS $1.00 = CAD $1.0122.

At December 31, 2015 the Company had the following lease commitment for office space in Canada.

($000s)					
January 2016 to March 2017	**Total**	**Less than 1 Year**	**1-3 Years**	**4-5 Years**	**After 5 Years**
Office lease	**332**	**266**	**66**	**-**	**-**

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

14. SEGMENTED INFORMATION

As at December 31, 2015, the Company has three reportable operating segments being the Australian, Canadian and Indian oil and gas operations.

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 nine months ended December 31, 2015 ($000s)				
	Australia	**Canada**	**India**	**Total**
Revenue	**8,934**	**-**	**-**	**8,934**
Interest revenue	**6**	**1**	**-**	**7**
Interest expense	**963**	**-**	**-**	**963**
Depletion and depreciation	**3,753**	**19**	**-**	**3,772**
Net income (loss)	**2,563**	**(979)**	**(260)**	**1,324**
Exploration and evaluation expenditures	**646**	**-**	**20**	**666**
Petroleum and natural gas property expenditures	**2,349**	**-**	**-**	**2,349**
Impairment losses (recovery)	**-**	**-**	**-**	**-**
As at December 31, 2015 ($000s)				
Petroleum and natural gas properties				
Cost	**37,860**	**4,637**	**-**	**42,497**
Accumulated impairment losses	**(796)**	**(310)**	**-**	**(1,106)**
Accumulated depletion, depreciation and accretion	**(10,413)**	**(4,247)**	**-**	**(14,660)**
Net book value	**26,651**	**80**	**-**	**26,731**
Exploration and evaluation assets	**34,504**	**-**	**8,757**	**43,261**
Accumulated impairment losses	**(11,455)**	**-**	**(1,308)**	**(12,763)**
Net book value	**23,049**	**-**	**7,449**	**30,498**
Property, plant & equipment	**-**	**5,130**	**-**	**5,130**
Accumulated depletion, depreciation and accretion	**-**	**(403)**	**-**	**(403)**
Impairment	**-**	**(4,727)**	**-**	**(4,727)**
Net book value	**-**	**-**	**-**	**-**

For the nine months ended December 31, 2014 ($000s)				
	Australia	**Canada**	**India**	**Total**
Revenue	12,036	255	-	12,291
Interest revenue	12	1	-	13
Interest expense	-	870	-	870
Depletion and depreciation	3,463	388	-	3,851
Net earnings (loss)	4,539	(6,279)	(380)	(2,120)
Exploration and evaluation expenditures	2,885	-	37	2,922
Petroleum and natural gas property expenditures	8,131	-	-	8,131
Impairment losses (recovery)	1,592	3,170	-	4,762
As at December 31, 2014 ($000s)				
Petroleum and natural gas properties				
Cost	30,603	4,617	-	35,220
Impairment loss	(796)	(310)	-	(1,106)
Accumulated depletion, depreciation and accretion	(5,418)	(4,078)	-	(9,496)
Net book value	24,389	229	-	24,618
Exploration and evaluation assets	31,119	-	7,260	38,379
Accumulated impairment losses	(10,364)	-	(1,096)	(11,460)
Net book value	20,755	-	6,164	26,919
Property, plant & equipment	-	5,130	-	5,130
Accumulated depletion, depreciation and accretion	-	(403)	-	(403)
Impairment	-	(4,727)	-	(4,727)
Net book value	-	-	-	-

For the three months ended December 31, 2015 ($000s)				
	Australia	**Canada**	**India**	**Total**
Revenue	**1,838**	**-**	**-**	**1,838**
Interest revenue	**1**	**1**	**-**	**2**
Interest expense	**333**	**-**	**-**	**333**
Depletion and depreciation	**1,078**	**6**	**-**	**1,084**
Net income (loss)	**1,833**	**(320)**	**(100)**	**1,413**
Exploration and evaluation expenditures	**174**	**-**	**-**	**174**
Petroleum and natural gas property expenditures	**1,137**	**-**	**-**	**1,137**
Impairment losses (recovery)	**-**	**-**	**-**	**-**

For the three months ended December 31, 2014 ($000s)				
	Australia	**Canada**	**India**	**Total**
Revenue	3,870	74	-	3,944
Interest revenue	3	1	-	4
Interest expense	-	381	-	381
Depletion and depreciation	1,378	184	-	1,562
Net earnings (loss)	3,378	(4,557)	(114)	(1,293)
Exploration and evaluation expenditures	1,951	-	27	1,978
Petroleum and natural gas property expenditures	2,511	-	-	2,511
Impairment losses (recovery)	796	3,170	-	3,966

CORPORATE INFORMATION

AUDITORS

KPMG LLP • Calgary, Canada

LEGAL COUNSEL

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

BANKERS

Royal Bank of Canada • Calgary, Canada
WestPac • Sydney, Australia
ICICI Bank Ltd. • Calgary, Canada and Mumbai, India

REGISTRAR AND TRANSFER AGENT

Computershare • Toronto, Canada

INVESTOR RELATIONS

5 Quarters Investor Relations, Inc. • Calgary, Canada

DIRECTORS

Chayan Chakrabarty
Peter D. Gaffney
James B. Howe
Dr. Brian J. Moss
Robert D. Steele
Ian J. Towers (Chairman)
W.B. (Bill) Wheeler

DISCLOSURE COMMITTEE

All Directors are members of the Committee

AUDIT COMMITTEE

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

RESERVES COMMITTEE

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

GOVERNANCE AND COMPENSATION COMMITTEE

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

OFFICERS

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

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