Condensed Consolidated Interim Financial Statements (unaudited)

Three and Six Months Ended September 30, 2016 and 2015

BENGAL ENERGY LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Thousands of Canadian dollars)

(unaudited)

As at	Notes	September 30, 2016	March 31, 2016
ASSETS			
Current assets:			
Cash and cash equivalents		**$ 1,733**	$ 3,010
Restricted cash		**140**	140
Accounts receivable		**2,636**	3,187
Prepaid expenses and deposits		**159**	155
Fair value of financial instruments	**9**	**3,260**	5,806
		7,928	12,298
Non-current assets:			
Exploration and evaluation assets	**3**	**20,052**	19,626
Petroleum and natural gas properties	**4**	**27,572**	24,875
Fair value of financial instruments	**9**	**-**	1,294
		47,624	45,795
Total assets		**$ 55,552**	$ 58,093
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities		**$ 3,507**	$ 2,669
Current portion of credit facility	**5**	**-**	10,049
		3,507	12,718
Non-current liabilities:			
Decommissioning liability	**6**	**1,733**	1,422
Credit facility	**5**	**16,167**	7,816
Fair value of financial instruments	**9**	**214**	-
		18,114	9,238
Shareholders' equity:			
Share capital		**94,151**	94,151
Contributed surplus		**7,640**	7,442
Warrants		**-**	167
Accumulated other comprehensive income		**1,509**	1,335
Deficit		**(69,369)**	(66,958)
		33,931	36,137
Total liabilities and shareholders' equity		**$ 55,552**	$ 58,093

Commitments (note 11)

See accompanying notes to the condensed consolidated interim financial statements.

BENGAL ENERGY LTD.

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

(Thousands of Canadian dollars, except per share amounts)

(unaudited)

	Notes	Three months ended September 30, 2016	Three months ended September 30, 2015	Six months ended September 30, 2016	Six months ended September 30, 2015
Income					
Petroleum and natural gas revenue		**$ 2,301**	$ 3,392	**$4,790**	$ 7,096
Royalties		**(34)**	(235)	**(181)**	(489)
		2,267	3,157	**4,609**	6,607
Realized gain on financial instruments		**1,316**	735	**2,592**	1,169
Unrealized (loss) gain on financial instruments		**(1,205)**	3,185	**(3,977)**	2,139
		2,378	7,077	**3,224**	9,915
Operating expenses					
General and administrative		**650**	650	**1,369**	1,324
Operating and transportation		**1,190**	1,879	**2,607**	3,574
Depletion and depreciation	4	**629**	1,435	**1,295**	2,688
Share-based compensation		**14**	24	**25**	48
		2,483	3,988	**5,296**	7,634
Operating (loss) income		**(105)**	3,089	**(2,072)**	2,281
Other (expenses)					
Other		**316**	-	**316**	-
Finance (expenses)	8	**(265)**	(320)	**(582)**	(628)
Foreign exchange gain (loss)		**379**	(1,602)	**(73)**	(1,742)
		430	(1,922)	**(339)**	(2,370)
Net income (loss)		**325**	1,167	**(2,411)**	(89)
Exchange differences on translation of foreign operations		**1,284**	209	**174**	(998)
Total comprehensive income (loss) for the period		**$ 1,609**	$ 1,376	**$ (2,237)**	$ (1,087)
Earnings (loss) per share	7				
- Basic & diluted		**$ 0.00**	$ 0.02	**$ (0.04)**	$ 0.00
Weighted average number of shares outstanding (000s)	7				
- Basic		**68,178**	68,178	**68,178**	68,178
- Diluted		**68,257**	68,220	**68,178**	68,178

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, 2015	68,177,796	$ 94,151	$ 167	$ 7,341	$ (130)	$ (56,578)	$ 44,951
Net loss for the period	-	-	-	-	-	(89)	(89)
Comprehensive loss for the period	-	-	-	-	(998)	-	(998)
Share-based compensation – expensed	-	-	-	48	-	-	48
Share-based compensation – capitalized	-	-	-	7	-	-	7
Balance at September 30, 2015	68,177,796	$ 94,151	$ 167	$ 7,396	$(1,128)	$ (56,667)	$ 43,919
Balance at April 1, 2016	**68,177,796**	**$ 94,151**	**$ 167**	**$ 7,442**	**$ 1,335**	**$ (66,958)**	**$ 36,137**
Net loss for the period	**-**	**-**	**-**	**-**	**-**	**(2,411)**	**(2,411)**
Comprehensive income for the period	**-**	**-**	**-**	**-**	**174**	**-**	**174**
Expiry of warrants	**-**	**-**	**(167)**	**167**	**-**	**-**	**-**
Share-based compensation – expensed	**-**	**-**	**-**	**25**	**-**	**-**	**25**
Share-based compensation – capitalized	**-**	**-**	**-**	**6**	**-**	**-**	**6**
Balance at September 30, 2016	**68,177,796**	**$ 94,151**	**$ -**	**$ 7,640**	**$ 1,509**	**$ (69,369)**	**$ 33,931**

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 September 30, 2016	Three Months Ended September 30, 2015	Six Months Ended September 30, 2016	Six Months Ended September 30, 2015
Operating activities					
Net income (loss) for the period		**$ 325**	$ 1,167	**$ (2,411)**	$ (89)
Depletion and depreciation		**629**	1,435	**1,295**	2,688
Accretion on decommissioning liability		**9**	8	**17**	16
Accretion on credit facility		**59**	98	**157**	214
Share-based compensation		**14**	24	**25**	48
Unrealized loss (gain) on financial instruments		**1,205**	(3,185)	**3,977**	(2,139)
Unrealized foreign exchange (gain) loss		**(444)**	1,735	**85**	1,766
		1,797	1,282	**3,145**	2,504
Change in non-cash working capital	10	**185**	1,036	**(207)**	463
Net cash from operating activities		**1,982**	2,318	**2,938**	2,967
Investing activities					
Exploration and evaluation expenditures	3	**(109)**	(225)	**(241)**	(492)
Petroleum and natural gas properties	4	**(3,211)**	(371)	**(3,462)**	(1,212)
Changes in non-cash working capital	10	**1,512**	(294)	**1,498**	(620)
Net cash used in investing activities		**(1,808)**	(890)	**(2,205)**	(2,324)
Financing activities					
Repayment of debt		**(1,984)**	-	**(1,984)**	-
Facility extension fees		**(130)**	-	**(130)**	-
Changes in non-cash working capital	10	**(16)**	(132)	**87**	(43)
Net cash used in financing activities		**(2,130)**	(132)	**(2,027)**	(43)
Impact of foreign exchange on cash and cash equivalents		**98**	(23)	**17**	(56)
Net (decrease) increase in cash and cash equivalents		**(1,858)**	1,273	**(1,277)**	544
Cash and cash equivalents, beginning of period		**3,591**	1,020	**3,010**	1,749
Cash and cash equivalents, end of period		**$ 1,733**	$ 2,293	**$1,733**	$ 2,293

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 (the "financial statements") of the Company are comprised of the Company and its wholly-owned subsidiaries Bengal Energy International Inc., Bengal Energy Australia (Pty) Ltd., Avery Resources (Northern Ireland) 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.

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, 2016.

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, 2016.

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

b) Basis of measurement

These condensed consolidated financial statements have been prepared on a historical cost basis, except for commodity contracts, which are recognized at fair value.

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. EXPLORATION AND EVALUATION ASSETS (E&E ASSETS)

($000s)	Exploration and Evaluation Expenditures
Balance at April 1, 2015	28,245
Additions	651
Acquisition	110
Capitalized share-based compensation	4
E&E impairment loss	(10,475)
Exchange adjustments	1,091
Balance at March 31, 2016	19,626
Additions	**241**
Capitalized share-based compensation	**3**
Exchange adjustments	**182**
Balance at September 30, 2016	**20,052**

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 complete and the results have been evaluated.

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

($000s)	**Australia**
ATP 732P – Tookoonooka	$ 16,163
ATP 752P	1,243
Other(1)	2,220
March 31, 2016 ($000)	$ 19,626
	Australia
ATP 732P – Tookoonooka	$ 16,318
ATP 752P	1,254
Other(1)	2,480
September 30, 2016 ($000)	**$ 20,052**

(1) Other includes ATP 934P, capitalized G&A, share-based compensation and foreign exchange effects on these assets denominated in foreign currencies.

4. PETROLEUM AND NATURAL GAS PROPERTIES

$000s	Petroleum and Natural Gas Properties	Corporate Assets	Total
Cost:			
Balance at April 1, 2015	38,701	342	39,043
Additions	2,586	-	2,586
Capitalized share-based compensation	6	-	6
Change in decommissioning obligation	(95)	-	(95)
Exchange adjustments	622	2	624
Balance at March 31, 2016	41,820	344	42,164
Additions	**3,462**	**-**	**3,462**
Capitalized share-based compensation	**3**	**-**	**3**
Change in decommissioning obligation	**278**	**-**	**278**
Exchange adjustments	**324**	**-**	**324**
Balance at September 30, 2016	**45,887**	**344**	**46,231**

$000s	Petroleum and Natural Gas Properties	Corporate Assets	Total
Accumulated depletion, depreciation and impairment losses:			
Balance at April 1, 2015	11,678	243	11,921
Depletion and depreciation charge	4,519	24	4,543
Impairment	748	-	748
Exchange adjustments	75	2	77
Balance at March 31, 2016	17,020	269	17,289
Depletion and depreciation charge	**1,285**	**10**	**1,295**
Exchange adjustments	**75**	**-**	**75**
Balance at September 30, 2016	**18,380**	**279**	**18,659**
Net carrying value			
At March 31, 2016	24,800	75	24,875
At September 30, 2016	**27,507**	**65**	**27,572**

The calculation of depletion for the quarter ended September 30, 2016 included $83.6 million for estimated future development costs associated with proved and probable reserves in Australia (March 31, 2016 - $83.6 million).

5. CREDIT FACILITY

Facility Agreement – Issued November 12, 2014 ($000s)	
Gross proceeds	15,364
Total cash fees	(844)
	14,520
Unrealized foreign exchange loss	2,747
	17,267
Accretion	598
Balance at March 31, 2016	**17,865**
Repayment	**(1,984)**
Additional borrowing costs	**(130)**
Unrealized foreign exchange loss	**259**
Accretion	**157**
Balance at September 30, 2016	**16,167**

	September 30, 2016	March 31, 2016
Current portion of credit facility	**-**	10,049
Non-current portion of credit facility	**16,167**	7,816

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. On August 26, 2016 following a US $1.5 million repayment, the Company extended the credit facility by 18 months to December 2018 with a borrowing base of US $15 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%.

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. In the event that the facility is not further extended, the reduction schedule would commence on December 31, 2017 and occur every six months thereafter until December 31, 2018 with a nominal reduction of $5 million to the facility limit at each calculation date based on the Company's existing reserve profile. The facility limit at September 30, 2016 is US $15 million, of which US $12.5 million is currently drawn.

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 available facility limit, and therefore the 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, and a default event triggered by a breach of covenants may result in a full redemption of all outstanding borrowings under the terms of the credit facility. There are no financial covenants associated with this credit facility. The Company was in compliance with the stated covenants at September 30, 2016.

6. 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)	September 30, 2016	March 31, 2016
Decommissioning liabilities, beginning of period	**1,422**	1,454
Revision	**-**	(95)
Decommissioning expenditures	**-**	-
Additions	**278**	-
Accretion	**17**	33
Exchange adjustments	**16**	30
Decommissioning liabilities, end of period	**1,733**	1,422

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 September 30, 2016 is approximately $2.2 million (March 31, 2016 – $1.9 million) which will be incurred between 2019 and 2044. An inflation factor of 1.5% - 1.7% and a risk-free discount rate ranging between 1.23% and 2.49% have been applied to the decommissioning liability at September 30, 2016.

7. 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, 2016	4,357,500	$ 0.72
Granted	**-**	**-**
Forfeited	**-**	**-**
Expired	**(770,000)**	**1.30**
Exercised	**-**	**-**
Outstanding at September 30, 2016	**3,587,500**	**$ 0.59**
Exercisable at September 30, 2016	**2,815,500**	**$ 0.73**

(c) Per share amounts:

Loss per share is calculated based on net loss and the weighted-average number of common shares outstanding.

	Three months ended September 30,		Six months ended September 30,	
($000s)	**2016**	2015	**2016**	2015
Income (loss) for the period	**$ 325**	$1,167	**$ (2,411)**	$ (89)
Weighted average number of common shares (basic)	**68,178**	68,178	**68,178**	68,178
Weighted average number of common shares (diluted)	**68,257**	68,220	**68,178**	68,178
Basic & diluted income (loss) per share	**$ 0.00**	$ 0.02	**$ (0.04)**	$ 0.00

For the three and six months ended September 30, 2016, there were 2,515,000 and 3,587,500 (March 31, 2016 – 4,357,000) options considered anti-dilutive.

8. FINANCE INCOME/EXPENSES

($000s)	Three months ended September 30, 2016	2015	Six months ended September 30, 2016	2015
Interest income	**2**	2	**3**	5
Accretion on decommissioning obligations	**(9)**	(8)	**(17)**	(16)
Letter of credit charges	**(7)**	-	**(55)**	14
Interest on credit facility	**(251)**	(326)	**(513)**	(630)
Change in fair value of VARs	**-**	12	**-**	(1)
Finance income (expenses)	**(265)**	(320)	**(582)**	(628)

9. 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, 2016, Bengal's receivables consisted of $2.1 million (March 31, 2016 - $2.6 million) from joint venture partners and $0.5 million (March 31, 2016 - $0.6 million) of other trade receivables of which $2.0 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 September 30, 2016, (March 31, 2016- $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 September 30, 2016 and did not provide for any doubtful accounts, nor was it required to write-off any receivables during the six months ended September 30, 2016. 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, financial instrument liability, and credit facility and amounted to $19.7 million at September 30, 2016 (March 31, 2016 - $20.6 million).

At September 30, 2016 the Company had working capital of $4.4 million, including cash and short-term deposits of $1.7 million and restricted cash of $0.1 million, compared to a working capital deficiency of $0.4 million at March 31, 2016 and working capital of $5.8 million at September 30, 2015. The Company has an additional US $2.5 million of available undrawn debt under its Westpac credit facility.

The majority of the Company's oil sales are benchmarked on dated Brent prices which averaged US $45.71/bbl for the six months ended September 30, 2016. 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 Company has no plans to use its internal source of cash to fund exploration activities. These are expected to be financed through farm-out or alternative financing sources.

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

Credit facility (US$000s)	
Fiscal year 2018	2,500
Fiscal year 2019	10,000
	12,500

(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, U.S. dollars for Australian oil sales and incurs expenditures in Australian, Canadian and U.S. currencies. Having sales and expenditures denominated in three currencies spreads the impact of individual currency fluctuations.

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

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

As at September 30, 2016 ($000s)	CAD	AUD	USD	Total
Cash and short-term deposits	337	819	577	1,733
Restricted cash	140	-	-	140
Accounts receivable	50	2,586	-	2,636
Accounts payable and accrued liabilities	(245)	(3,248)	(14)	(3,507)
Credit facility	-	-	(16,167)	(16,167)
Fair value of financial instruments	-	-	3,046	3,046
	282	157	(12,558)	

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 September 30, 2016, 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)
October 1, 2016 – May 31, 2017	Oil - Swap	48,276	80.00	80.00
October 1, 2016 – May 31, 2017	Oil – Put option	44,314	80.00	-
($000s)		**Oil - swap**	**Oil – put**	**Total**
Current fair value of financial instruments		1,804	1,485	3,289
Non-current fair value of financial instruments		-	-	-
Total		**1,804**	**1,485**	**3,289**

Time Period	Type of Contract	Quantity Contracted (bbls)	Price Floor (US$/bbl)	Price Ceiling (US$/bbl)
July 1, 2017 – December 31, 2018	Oil - Swap	67,373	47.00	47.00
July 1, 2017 – December 31, 2018	Oil – Put option	67,373	47.00	-
($000s)		**Oil - swap**	**Oil – put**	**Total**
Current fair value of financial instruments		(89)	60	(29)
Non-current fair value of financial instruments		(583)	369	(214)
Total		**(672)**	**429**	**(243)**

A US$1.00 increase in the future crude oil price per barrel would result in an approximate $227,000 decrease in the fair value of financial instruments at September 30, 2016 while a $US 1.00 decrease would result in an increase of approximately US$227,000 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 September 30, 2016 as the funds are not invested in an interest-bearing instrument. 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 September 30, 2016.

For the six months ended September 30, 2016, a 1% increase in US Libor would increase interest expense by $81.

10. CHANGES IN NON-CASH WORKING CAPITAL

Six months ended ($000s)	**September 30, 2016**	September 30, 2015
Accounts receivable	**551**	(901)
Prepaid expenses and deposits	**(4)**	101
Accounts payable and accrued liabilities	**838**	657
Impact of foreign exchange	**(7)**	(57)
Total	**1,378**	(200)
Relating to:		
Operating	**(207)**	463
Financing	**87**	(43)
Investing	**1,498**	(620)
Total	**1,378**	(200)

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

Six months ended ($000s)	**September 30, 2016**	September 30, 2015
Cash interest paid	**356**	613
Cash interest received	**3**	2

11. COMMITMENTS

Pursuant to current production sharing contracts ("PSC"), the Company is required to perform minimum exploration activities that include various types of surveys, acquisition and processing of seismic data and drilling of exploration wells. Additional commitments are reflected where the Company has agreed with joint 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.

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 200 kilometers of 3D seismic and up to three wells, which would require a capital spend of $2.1 million in 2017 and a further $2.1 million in 2018 net to Bengal.

Country and Permit	Work Program	Obligation Period Ending	Estimated Expenditure (net) (millions CAD$)(1)
Onshore Australia – ATP 934P	200 km^2 of 3D seismic and up to three wells	March 2021	$ 16.7

(1) Translated at September 30, 2016 at an exchange rate of AUS $1.00 = CAD $1.0032.

At September 30, 2016 the Company had the following lease commitment for office space in Canada.

($000s)					
October 2016 to March 2017	**Total**	**Less than 1 Year**	**1-3 Years**	**4-5 Years**	**After 5 Years**
Office lease	**133**	**133**	**-**	**-**	**-**

12. SEGMENTED INFORMATION

As at September 30, 2016, the Company has three reportable operating segments being the Australian, Canadian and India 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 six months ended September 30, 2016 ($000s)				
	Australia	**Corporate**	**India**	**Total**
Revenue	4,790	-	-	4,790
Interest revenue	3	-	-	3
Interest expense	513	-	-	513
Depletion and depreciation	1,285	10	-	1,295
Net earnings (loss)	(1,646)	(605)	(160)	(2,411)
Exploration and evaluation expenditures	241	-	-	241
Petroleum and natural gas property expenditures	3,462	-	-	3,462
Impairment losses (recovery)	-	-	-	-
Petroleum and natural gas properties				
Cost	41,594	4,638	-	46,232
Accumulated impairment loss	(796)	(310)	-	(1,106)
Accumulated depletion and depreciation	(13,292)	(4,262)	-	(17,554)
Net book value	27,506	66	-	27,572
Exploration and evaluation assets	29,299	-	8,297	37,596
Accumulated impairment losses	(9,247)	-	(8,297)	(17,544)
Net book value	20,052	-	-	20,052
For the six months ended September 30, 2015 ($000s)				
	Australia	Corporate	India	Total
Revenue	7,096	-	-	7,096
Interest income	5	-	-	5
Interest expense	630	-	-	630
Depletion and depreciation	2,675	13	-	2,688
Net income (loss)	730	(659)	(160)	(89)
Exploration and evaluation expenditures	472	-	20	492
Petroleum and natural gas property expenditures	1,212	-	-	1,212
Impairment losses (recovery)	-	-	-	-
As at September 30, 2015 ($000s)				
Petroleum and natural gas properties				
Cost	34,704	4,637	-	39,341
Accumulated impairment losses	(796)	(310)	-	(1,106)
Accumulated depletion and depreciation	(9,335)	(4,241)	-	(13,576)
Net book value	24,573	86	-	24,659
Exploration and evaluation assets	32,065	-	8,467	40,532
Accumulated impairment losses	(10,928)	-	(1,265)`	(12,193)
Net book value	21,137	-	7,202	28,339

For the three months ended September 30, 2016 ($000s)	Australia	Corporate	India	Total
Revenue	**2,301**	**-**	**-**	**2,301**
Interest revenue	**2**	**-**	**-**	**2**
Interest expense	**251**	**-**	**-**	**251**
Depletion and depreciation	**624**	**5**	**-**	**629**
Net income (loss)	**620**	**(263)**	**(32)**	**325**
Exploration and evaluation expenditures	**109**	**-**	**-**	**109**
Petroleum and natural gas property expenditures	**3,211**	**-**	**-**	**3,211**
Impairment losses (recovery)	**-**	**-**	**-**	**-**

For the three months ended September 30, 2015 ($000s)	Australia	Corporate	India	Total
Revenue	3,392	-	-	3,392
Interest revenue	2	-	-	2
Interest expense	326	-	-	326
Depletion and depreciation	1,429	6	-	1,435
Net earnings (loss)	1,574	(326)	(81)	1,167
Exploration and evaluation expenditures	207	-	18	225
Petroleum and natural gas property expenditures	371	-	-	371
Impairment losses (recovery)	-	-	-	-

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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