Interim Condensed Consolidated Financial Statements

(Unaudited)

Three Months Ended
June 30, 2020 and 2019

BENGAL ENERGY LTD.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Thousands of Canadian dollars)

(unaudited)

As at		June 30 2020	March 31 2020
Assets	Notes		
Current assets:			
Cash and cash equivalents		$ 1,230	$ 998
Restricted cash		40	140
Trade and other receivables	5	1,420	1,639
Prepaid expenses and deposits		125	126
Fair value of financial instruments	17	579	1,447
		3,394	4,350
Exploration and evaluation assets	6	9,628	8,930
Property, plant and equipment	7	28,075	26,292
Total assets		$ 41,097	$ 39,572
Liabilities and Shareholders' Equity			
Current liabilities:			
Trade and other payables	8	$ 1,156	$ 1,041
Current portion of credit facility	9	17,097	17,695
Current portion of lease liability	10	49	48
		18,302	18,784
Decommissioning and restoration liability	11	3,983	3,690
Lease liability	10	144	156
		22,429	22,630
Shareholders' equity:			
Share capital	12	98,100	98,100
Contributed surplus		7,866	7,861
Accumulated other comprehensive loss		(330)	(1,651)
Deficit		(86,968)	(87,368)
		18,668	16,942
Total liabilities and shareholders' equity		$ 41,097	$ 39,572

Going concern (Note 2)

Commitments (Note 19)

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)

For the three months ended June 30	Notes		2020		2019
Revenue					
Oil sales	14	$	1,099	$	1,962
Royalties			(66)		(101)
			1,033		1,861
Realized gain on financial instruments	17		545		94
Unrealized loss on financial Instruments	17		(951)		(75)
			627		1,880
Expenses					
General and administrative			499		931
Operating			895		843
Depletion and depreciation	7		348		354
Impairment	6,7		-		20
Share-based compensation			5		11
Foreign exchange (gain) loss			(1,792)		158
			(45)		2,317
Other expense					
Finance expense	16		272		313
Net income (loss)			400		(750)
Exchange differences on translation of foreign operations			1,321		(640)
Comprehensive income (loss)		$	1,721	$	(1,390)
Net income (loss) per share - basic & diluted	15	$	0.00	$	(0.01)
Weighted average shares outstanding (000s) – basic and diluted	15		102,267		102,267

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Thousands of Canadian dollars)

(unaudited)

For the three months ended June 30	2020	2019
Share capital		
Balance at beginning and end of period	$ 98,100	$ 98,100
Contributed surplus		
Balance at beginning of period	7,861	7,832
Share-based compensation – expensed	5	11
Share-based compensation – capitalized	-	1
Balance at end of period	7,866	7,844
Accumulated other comprehensive loss		
Balance at beginning of period	(1,651)	(4)
Exchange differences translation of foreign operations	1,321	(640)
Balance at end of period	(330)	(644)
Deficit		
Balance at beginning of period	(87,368)	(84,472)
Net income (loss)	400	(750)
Balance at end of period	(86,968)	(85,222)
Total shareholders' equity	$ 18,668	$ 20,078

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)

For the three months ended June 30	Notes	**2020**	**2019**
Operating activities:			
Net income (loss)		$ 400	$ (750)
Add (deduct) non-cash items			
Depletion and depreciation		348	354
Accretion on decommissioning and restoration liability		4	9
Accretion on credit facility		37	63
Share-based compensation		5	11
Interest on lease liability		3	4
Lease incentive		-	31
Impairment		-	20
Unrealized loss on financial instruments		951	75
Unrealized foreign exchange (gain) loss		(1,958)	170
Funds used in operations		(210)	(13)
Change in non-cash working capital	18	545	329
Net cash from operating activities		335	316
Investing activities:			
Exploration and evaluation expenditures	6	-	(10)
Petroleum and natural gas property expenditures	7	(99)	(1,270)
Change in restricted cash		100	-
Change in non-cash working capital	18	(148)	(400)
Net cash used in investing activities		(147)	(1,680)
Financing activities:			
Lease payments		(14)	(15)
Facility extension fees	9	-	(20)
Net cash used in financing activities		(14)	(35)
Net increase (decrease) in cash and cash equivalents		174	(1,399)
Cash and cash equivalents, beginning of period		998	2,891
Impact of foreign exchange on cash and cash equivalents		58	(56)
Cash and cash equivalents, end of period		$ 1,230	$ 1,436

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 are comprised of the Company and its wholly-owned subsidiaries including Bengal Energy Australia (Pty) Ltd. 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 2000, 715 5th Ave SW, Calgary, Alberta, Canada, T2P 2X6.

2. BASIS OF PREPARATION AND GOING CONCERN

These 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 interim condensed consolidated financial statements do not include all of the information required for full annual financial statements.

These 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, 2020. These 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, 2020.

These financial statements were approved and authorized for issuance by the Board of Directors on August 11, 2020.

These financial statements have been prepared on a historical cost basis, except for commodity contracts as discussed in Note 17.

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.

Going concern

These financial statements have been prepared on a going concern basis. The going concern basis assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

As at June 30, 2020, the Company had a working capital deficiency of $14.9 million. The Company has no available undrawn debt capacity under its credit facility which will expire on October 31, 2020. As at June 30, 2020, the Company was not in compliance with its debt service coverage ratio ("DSCR") (refer to Note 9) and therefore the debt is due on demand. Subsequent to June 30, 2020, the Company has received a waiver in respect of the June 30, 2020 covenant breach. The Company's current forecast indicates that it will not be in compliance with its DSCR covenant over the next twelve months. No waiver has been obtained for the forecasted covenant breach. The Company also has significant capital work commitments associated with its exploration and evaluation assets.

The Company's ability to continue as a going concern is dependent upon the ability to generate positive cash flow from operating activities and to renew the current Credit Facility or to raise additional financing to meet its future development costs associated with petroleum and natural gas assets and to continue with other capital projects and operations. There can be no assurances that the facility will be renewed or additional sources of funding will be available for the Company. These matters cause material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern assumption were not appropriate, adjustments would be necessary in the carrying value of the Company's assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used. These adjustments could be material.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used 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, 2020 except for the below.

Government Grants

Government grants related to assets are initially recognized by the Company as deferred income at fair value if there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant; they are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset**.** Grants that compensate the Company for expenses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses are recognized.

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 out-lined below.

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. In addition, global commodity prices have declined significantly due to disputes between major oil producing countries combined with the negative impact to oil demand from the COVID-19 pandemic. Governments worldwide, including those in Canada and Australia, have enacted emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions; however, the success of these interventions is not currently determinable.

The current challenging 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. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Company is not known at this time.

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, 2020. Estimates and judgements made by management in the preparation of the financial statements are increasingly difficult and subject to a higher degree of measurement uncertainty during this volatile period.

5. TRADE AND OTHER RECEIVABLES

Bengal's trade and other receivables are exposed to the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's trade and other receivables include cash calls paid to joint venture partners and receivables from petroleum and natural gas marketers.

The Company's trade and other receivables consist of:

($000s)	June 30, 2020	March 31, 2020
Due from joint venture partners	1,383	1,628
Other receivables	37	11
	1,420	1,639

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

($000s)	
Balance, April 1, 2019	9,711
Additions	22
Impairment	(10)
Exchange adjustments	(793)
Balance, March 31, 2020	8,930
Additions	-
Exchange adjustments	698
Balance, June 30, 2020	9,628

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

($000s)	
ATP 732P – Tookoonooka	4,743
PL 303 – Barta Block Cuisinier (controlling permit ATP 752)	2,437
ATP 934 – Barrolka	1,750
Balance, March 31, 2020	8,930

($000s)	
ATP 732P – Tookoonooka	5,115
PL 303 – Barta Block Cuisinier (controlling permit ATP 752)	2,627
ATP 934 – Barrolka	1,886
Balance, June 30, 2020	9,628

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.

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

($000s)	**Petroleum and natural gas properties**	**Other assets**	**Right-of-use assets**	**Total**
Cost:				
Balance, April 1, 2019	45,367	344	-	45,711
Additions	1,752	-	-	1,752
Acquisition	1,798	-	-	1,798
Adoption of IFRS 16	-	-	219	219
Capitalized share-based compensation	1	-	-	1
Change in decommissioning and restoration liability	368	-	-	368
Exchange adjustments	(5,464)	-	-	(5,464)
Balance, March 31, 2020	43,822	344	219	44,385
Additions	99	-	-	99
Exchange adjustments	4,940	-	-	4,940
Balance, June 30, 2020	48,861	344	219	49,424

($000s)	**Petroleum and natural gas properties**	**Other assets**	**Right-of-use assets**	**Total**
Accumulated depletion, depreciation and impairment losses:				
Balance, April 1, 2019	18,937	312	-	19,249
Depletion and depreciation	1,343	7	47	1,397
Impairment	636	-	-	636
Exchange adjustments	(3,189)	-	-	(3,189)
Balance, March 31, 2020	17,727	319	47	18,093
Depletion and depreciation	334	2	12	348
Exchange adjustments	2,908	-	-	2,908
Balance, June 30, 2020	20,969	321	59	21,349
($000s)				
Net carrying amount:				
At March 31, 2020	26,095	25	172	26,292
At June 30, 2020	27,892	23	160	28,075

At June 30, 2020, there were no indicators of impairment or impairment reversal. As a result, no impairment or impairment reversal testing was conducted.

During the three months ended June 30, 2020, the Company capitalized $0.0 million of general and administrative expense (2019 - $0.3 million).

The calculation of depletion for the three months ended June 30, 2020 included $59.7 million for estimated future development costs associated with proved and probable reserves in Australia (March 31, 2020 - $59.7 million).

8. TRADE AND OTHER PAYABLES

($000s)	June 30, 2020	March 31, 2020
Trade payables	507	417
Accrued liabilities and other payables	649	624
	1,156	1,041

9. CREDIT FACILITY

($000s)	
Gross proceeds	15,364
Total cash fees	(994)
Repayment	(2,160)
	12,210
Facility extension fees	(325)
Unrealized foreign exchange loss	4,274
Accretion	1,536
Balance, March 31, 2020	17,695
Unrealized foreign exchange gain	(635)
Accretion	37
Balance, June 30, 2020	17,097

($000s)	June 30, 2020	March 31, 2020
Current portion	17,097	17,695
Non-current portion	-	-

The Company initially entered into a US $25 million reserves based revolving credit facility (the "Credit Facility") in October 2014, placing an initial draw of US $14 million. The facility is secured by and available to the Company's producing assets in the Cuisinier field in Australia's Cooper Basin. On August 26, 2016, the Company repaid US $1.5 million.

On May 29, 2019, the Company and Westpac entered into an amendment to its reserves based revolving Credit Facility that had principal payments deferred from February 15, 2020 to April 1, 2020. All previous terms under the November 19, 2018 amendment have transferred directly to the May 29, 2019 amendment. The Credit Facility requires the Company to make a single payment of the outstanding amount owing on the Credit Facility. The interest rate under the Credit Facility remained unchanged at US LIBOR plus 3.75%.

On November 5, 2019, the Company and Westpac agreed to further delay the maturity date of the Credit Facility to October 31, 2020. All previous terms and conditions remain the same except for the interest rate which moved from 3.75% to 3.95%.

Management continues to discuss with the lender the opportunity to lengthen the term of the current facility particularly in light of the recent acquisition of the four PLs which has the potential to both increase reserves and improve cash flow. There would be an adverse impact on the Company's liquidity should it be unsuccessful in negotiating an amendment and deferral of principal payments to the Credit Facility.

The Credit Facility's reserve-based covenants include a DSCR (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. The Company was not in compliance with the DSCR covenant at June 30, 2020. The Company's current forecast indicates that it will not be in compliance with its DSCR covenant over the next twelve months (refer to Note 2). Subsequent to June 30, 2020, the Company has received a waiver from its lender in respect of the June 30, 2020 covenant breach.

The table below indicates the current payment schedule for the Credit Facility:

(US$000s)	
Fiscal year 2021	12,369
	12,369

Management is in discussion with the lender to further amend the current repayment terms. There would be an adverse impact on the Company's liquidity should it be unsuccessful in negotiating an amendment and deferral of principal payments to the Credit Facility (see Note 2).

10. LEASE LIABILITY

The Company incurs lease payments related to the Company's head office lease in Calgary.

($000s)	
Balance, March 31, 2020	204
Interest	3
Payments	(14)
Balance, June 30, 2020	193
Current portion of lease liability	(49)
Non-current portion of lease liability	144

11. DECOMMISSIONING AND RESTORATION LIABILITY

Changes to decommissioning and restoration obligations were as follows:

($000s)	
Balance, April 1, 2019	1,977
Change in estimate	368
Additions	1,538
Accretion	34
Exchange adjustments	(227)
Balance, March 31, 2020	3,690
Accretion	4
Exchange adjustments	289
Balance, June 30, 2020	3,983

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 June 30, 2020 is approximately $4.0 million (March 31, 2020 – $4.0 million) which will be incurred between 2023 and 2054. An inflation factor of 1.73% (March 31, 2020 – 1.73%) and a risk-free discount rate of 0.77% (March 31, 2020 – 0.77%) have been applied to the decommissioning liability at June 30, 2020.

12. 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:

($000s)	Number of common shares	Amount
Balance at March 31, 2020 and June 30, 2020	102,266,694	98,100

13. 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 weighted average market price of the Company's common shares of the previous five days.

The Company accounts for its share-based compensation plan using the fair value method. Under this method, each grant results in three instalments. The fair value of the first instalment is charged to profit or loss over the first year. The remaining two instalments are charged to profit or loss over two and three years respectively.

Stock options granted under the plan can be exercised on a cashless basis, whereby the employee 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, 2020 and June 30, 2020	3,472,500	0.12
Exercisable, June 30, 2020	2,789,563	0.11

14. REVENUE

Revenue from the sales of crude oil is based on the consideration specified in the Crude Oil Sales and Purchase Agreement ("COSP Agreement") with the joint venture operator. The Company recognizes revenue when it transfers control of the product to the joint venture operator, which is generally at the time the joint venture operator obtains legal title of the crude oil and when it is physically delivered to the pipeline at an estimated transaction price based on average US Brent price and is adjusted for quality and other factors specified in the COSP Agreement once the product is shipped to the end customer and lifted.

The transaction price as prescribed in the COSP 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. The COSP Agreement has an initial term to March 31, 2022, whereby delivery takes place through the contract period. Revenues are typically collected 60 days following delivery to Port Bonython.

15. PER SHARE AMOUNTS

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

($000s except per share amounts)		
Three months ended June 30	**2020**	**2019**
Net income (loss) for the period	400	(750)
Weighted average number of common shares – basic and diluted	102,267	102,267
Basic and diluted net income (loss) per share	$ 0.00	$ (0.01)

For the three months ended June 30, 2020, there were 3,472,500 (2019 – 3,005,263) options considered anti-dilutive.

16. FINANCE EXPENSE

($000s)		
For the three months ended June 30	**2020**	**2019**
Interest income	-	(1)
Accretion on decommissioning and restoration liability	4	9
Interest on lease liability	3	4
Interest on credit facility	265	301
	272	313

17. FINANCIAL RISK MANAGEMENT

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, lease liability and Credit Facility, amounting to $18.4 million at June 30, 2020 (March 31, 2020 - $18.9 million).

At June 30, 2020, the Company had a working capital deficiency of $14.9 million, including cash and short-term deposits of $1.2 million and restricted cash of $0.04 million, compared to a working capital deficiency of $14.4 million at March 31, 2020. The working capital deficiencies are primarily a result of the Credit Facility of $17.1 million maturing in October 2020. The Company has no available undrawn debt capacity under its Credit Facility.

At June 30, 2020, the Company has significant capital spending commitments to be incurred by February 2021 on ATP 934P of $1.1 million and has its fully drawn US$12.4 million Credit Facility that matures in October 2020. In Q1 fiscal 2021, the Company received confirmation that the commitment on ATP 934 was reduced to $1.1 million. In exchange for the reduction in commitment the Company will relinquish 50% of the non-potential acreage of ATP 934 at the end of the first term expiry date of February 28, 2021.

As at June 30, 2020, the Company was not in compliance with its DSCR (refer to Note 9). The Company's current forecast indicates that it will not be in compliance with its DSCR covenant over the next twelve months (refer to Note 2). Subsequent to June 30, 2020, the Company has received a waiver from its lender in respect of the June 30, 2020 covenant breach.

Management is in discussions with Westpac to further extend the Credit Facility. Management anticipates that operating and capital requirements will be met out of operating cash flows in addition to alternative forms of capital raising. There can be no guarantees that the Credit Facility will be extended or that alternative forms of capital raising will be available or obtained on terms that are satisfactory to the Company. Should Westpac not further defer principal payments and the Company be unsuccessful in obtaining additional funding, there will be an adverse impact to the Company's liquidity. See going concern considerations in Note 2.

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. 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.

The table below indicates the current payment schedule for the Credit Facility:

(US$000s)	
Credit Facility	
Fiscal year 2021	12,369

The current challenging economic climate may lead to adverse changes in cash flow, working capital levels or debt balances, which may also have a direct impact on the Company's results and financial position. These and other factors may adversely affect the Company's liquidity and the Company's ability to generate profits in the future.

Foreign Currency Risk

Bengal receives U.S. 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 exchange rate 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 June 30, 2020:

($000s)	**CAD$**	**AUS$**	**US$**	**Total**
Cash and short-term deposits	169	8	1,053	1,230
Restricted cash	40	-	-	40
Trade and other receivables	11	240	1,169	1,420
Fair value of financial instruments	-	-	579	579
Trade and other payables	(293)	(857)	(6)	(1,156)
Credit facility	-	-	(17,097)	(17,097)
Lease liability	(193)	-	-	(193)
	(266)	(609)	(14,302)	(15,177)

Exchange rates as at:	June 30 2020	March 31 2020
Number of CAD$ for 1 AUS$	0.94	0.87
Number of CAD$ for 1 US$	1.36	1.42

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.

At June 30, 2020, 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	Fair value ($000s)
July 1, 2020 – July 31, 2020	Oil - swap	5,000	56.64	56.64	101
August 1, 2020 – August 31, 2020	Oil - swap	5,000	56.46	56.46	99
September 1, 2020 – September 30, 2020	Oil - swap	5,000	56.32	56.32	97
October 1, 2020 – October 31, 2020	Oil - swap	4,200	59.27	59.27	97
November 1, 2020 – November 30, 2020	Oil - swap	4,200	58.95	58.95	94
December 1, 2020 – December 31, 2020	Oil - swap	4,200	58.63	58.63	91
Total					**579**

A US$1.00 increase in the future crude oil price per barrel would result in an approximate US$27,600 (CAD$37,600) decrease in the fair value of financial instruments at June 30, 2020, while a US$1.00 decrease would result in an increase of approximately US$27,600 (CAD$37,600) 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 June 30, 2020 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 June 30, 2020.

For the three months ended June 30, 2020, a 1% increase in US LIBOR would increase interest expense by $43,000.

18. SUPPLEMENTAL CASH FLOW INFORMATION

Change in non-cash working capital items		
($000s)		
For the three months ended June 30	**2020**	**2019**
Trade and other receivables	219	573
Prepaid expenses and deposits	1	(4)
Trade and other payables	115	(619)
Effect of change in foreign exchange rates	62	(21)
	397	(71)
Attributable to:		
Operating	545	329
Investing	(148)	(400)
Financing	-	-
	397	(71)

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

Cash interest paid and received		
($000s)		
For the three months June 30	**2020**	**2019**
Cash interest paid	234	243
Cash interest received	-	1

19. 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 and now holds a 100% operating interest in this permit. The purchase consideration was AUS$0.3 million cash and potential future cash payments of up to AUS$1.0 million, which is made up of a AUS$0.2 million on certification by an independent competent person appointed by Bengal Energy (Australia) Pty Ltd. of not less than 25 billion cubic feet of proved reserves and AUS$0.8 million due upon the delivery of the first shipments of gas to market. The work program consists of up to three wells.

At June 30, 2020, the Company had the following capital work commitments:

Country and permit	Work program	Obligation period ending	Estimated expenditure (net) (millions CAD$) [(1)]
Onshore Australia – ATP 934	Up to three wells	February 2021	1.2
Onshore Australia – ATP 732	Geological and geophysical studies	March 2023	0.1
Offshore Australia AC/RL 10	Geological and geophysical studies	March 2023	0.1

(1) Translated at June 30, 2020 at an exchange rate of AUS$1.00 = CAD$0.9380.
(2) During Q1 fiscal 2021, the Company received confirmation that the commitment on ATP 934 was reduced to $1.2 million. In exchange for the reduction in commitment, Bengal will relinquish 50% of the non-potential acreage of ATP 934 at the end of the first term expiry date of February 28, 2021.

At June 30, 2020, the contractual obligations for which the Company is responsible are as follows:

($000s) Contractual obligations July 2020 to November 2023	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Office lease	543	155	318	70	-
Decommissioning and restoration	3,983	-	693	69	3,221
	4,526	155	1,011	139	3,221

20. SEGMENTED INFORMATION

As at June 30, 2020, 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)

For the three months ended June 30, 2020

	Australia	**Corporate**	**Total**
Revenue	1,099	-	1,099
Interest expense	265	3	268
Depletion and depreciation	336	12	348
Net income (loss)	629	(229)	400
Petroleum and natural gas property expenditures	99	-	99

($000s)

June 30, 2020

Exploration and evaluation assets	9,628	-	9,628
Petroleum and natural gas properties	27,892	-	27,892
Total assets	40,646	451	41,097
Total liabilities	21,918	511	22,429

($000s)

For the three months ended June 30, 2019

	Australia	**Corporate**	**Total**
Revenue	1,962	-	1,962
Interest revenue	1	-	1
Interest expense	301	4	305
Depletion and depreciation	340	14	354
Impairment	20	-	20
Net loss	(433)	(317)	(750)
Exploration and evaluation expenditures	10	-	10
Petroleum and natural gas property expenditures	1,270	-	1,270

($000s)

June 30, 2019

Exploration and evaluation assets	9,410	-	9,410
Petroleum and natural gas properties	26,514	-	26,514
Total assets	39,739	634	40,373
Total liabilities	19,819	476	20,295

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

DISCLOSURE COMMITTEE

Chayan Chakrabarty
Matthew Moorman

AUDIT COMMITTEE

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

RESERVES COMMITTEE

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

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
Matthew Moorman, Chief Financial Officer
Bruce Allford, Secretary

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