Bengal Energy Announces Fiscal 2023 Fourth Quarter Results

16.06.2023 | Newsfile

Calgary, June 16, 2023 - Bengal Energy Ltd. (TSX: BNG) ("Bengal" or the "Company") today announces its financial and operating results for the fourth quarter of fiscal 2023 ended March 31, 2023.

FOURTH-QUARTER FISCAL 2023 HIGHLIGHTS:

The following is an overview of the financial and operational results during the three-and twelve-months ending March 31, 2023. All amounts are in Canadian funds unless otherwise noted:

Financial Summary:

- Reserves - Bengal's independently evaluated Proved Plus Probable ("2P") reserves for the fiscal year ended March 31, 2023, are 5,477 thousand barrels of oil ("Mbbls") compared to 5,778 Mbbls at March 31, 2022. 2P 1P reserves are 2005 Mbbls compared to 2145 Mbbls at March 31, 2022. The lower reserves result primarily from the prior year's production without replacement during fiscal 2023. The net present value (NPV 10, before tax) of Bengal's 2P reserves, net of future development costs, at March 31, 2023 is $121 million, or $0.25 per share compared to $149 million at March 31, 2022. The 2P after tax net asset value is $95 million for the current year compared to $115 million in the prior year. The lower NPV is primarily the result of expected higher future development costs as a result of inflationary pressure across Queensland.
- Sales revenue - Reflecting lower oil prices, crude oil sales revenue was $2.0 million in the fourth quarter of fiscal 2023, which is 18% lower than the $2.4 million recorded in Q4 fiscal 2022. Full year fiscal 2023 sales revenue was $8.1 million compared to $7.7 million for the full year fiscal 2022.
- Funds from (used in) operations[1] - Bengal used $0.4 million of funds in operations during Q4 fiscal 2023 compared to a $0.5 million funds from operations during Q4 fiscal 2022. For the full year fiscal 2022, the Company generated $2.0 million of funds from operations compared to $1.4 million funds used in operations during the prior fiscal year. During Q4 fiscal 2023, Santos, the Cuisinier joint venture operator, undertook a self-review with the Queensland Revenue Office relative to its royalty payments for the calendar years of 2015 through 2020. The result was a $3.0 million additional royalty liability ($0.9 million net to Bengal) assessed to the Cuisinier Joint Venture. The net amount was recorded as an offset to other income for the quarter ended March 31, 2023. Santos is currently reviewing their royalty obligations and Bengal is disputing these additional charges under its Joint Operating Agreement; however, the Company has recorded the full net amount as an offset to other income for the quarter ended March 31, 2023. Absent this unusual royalty adjustment, the Company's funds from operations would be $0.5 million for the quarter and $2.9 million for the year.
- Net income - Bengal reported a net loss of $0.8 million for the current quarter compared to net income of $0.2 million in the fourth quarter of fiscal 2022. For the full year fiscal 2023, the Company reported net income of $0.7 million compared to a net loss of $0.4 million in the prior year.

(1) Non-IFRS and Other Financial Measures are defined in the Non-IFRS and Other Financial Measures section of this press release.

Net income during the current quarter was materially impacted by the royalty adjustment described above. Net income for the year was also positively impacted by $1.1 of million other income related to the settlement of a crude oil stock discrepancy recorded in Q2 fiscal 2023 as well as a $0.9 million offset to other income related to the Cuisinier royalty adjustment described above.

Operational Summary:

- Production volumes - The Company's share of total production in the current quarter was 16,395 bbls of light crude oil, which is a 4.8% increase from the 15,647 bbls produced in the fourth quarter of fiscal 2022. The current quarter production averaged 182 bbls/day compared to 174 bbls/day produced in the fourth quarter of fiscal 2022. Full year fiscal 2023 saw total production of 65,680 bbls compared to 66,797 bbls for full year fiscal 2022. The full year fiscal 2023 production per day averaged 180 bbls compared to 183 bbls/day for the full year fiscal 2022.
- Capital expenditures - During the year, the Company continued capital programs on two of its 100% owned and operated projects at Wareena (Petroleum Lease ("PL") 1110 & Producing Pipeline ("PPL") 138) and Caracal (Authority to Prospect ("ATP") 732). Bengal incurred $0.4 million in capital expenditures during Q4 fiscal 2023 as compared to $2.2 million in Q4 fiscal 2022 and a total of $7.7 million during the current year compared to $4.3 million during fiscal 2022.

OPERATING SUMMARY

($000s except per share, %, volumes and operating netback[(1)] amounts	Three months ended March 31,		Twelve months ended March 31,	
	2023	2022	2023	2022
Oil revenue	$ 1,954	$ 2,374	$ 8,149	$ 7,650
Operating netback[(1)]	$ 1,078	$ 1,425	$ 4,452	$ 4,109
Cashflow from (used in) operations	$ (704)	$ 437	$ 2,111	$ 835
Funds from (used in) operations[(1)]	$ (431)	$ 515	$ 1,988	$ 1,432
Per share ($) (basic and diluted)	$ (0.00)	$ 0.00	$ 0.00	$ 0.00
Net income (loss)	$ (803)	$ 217	$ 703	$ (374)
Per share ($) (basic and diluted)	$ (0.00)	$ 0.00	$ 0.00	$ (0.00)
Capital expenditures	$ 395	$ 2,244	$ 7,715	$ 4,322
Oil volumes (bbls/d)	182	174	180	183
Operating netback[(1)] ($/bbl)	$ 65.75	$ 91.06	$ 67.79	$ 61.52

(1) Non-IFRS and Other Financial Measures: refer to the Non-IFRS and Other Financial Measures section of this Press Release

Bengal has filed its consolidated financial statements and management's discussion and analysis for the year ended March 31, 2023, with the Canadian securities regulators. The documents are available on SEDAR at www.sedar.com or by visiting Bengal's website at www.bengalenergy.ca.

BUSINESS OVERVIEW

Bengal's producing and non-producing assets are situated primarily in Australia's Cooper Basin, a region featuring large accumulations of very light and high-quality crude oil and natural gas. The Company's core Australian assets, PL 303 Cuisinier, ATP 934 Barrolka, ATP 732 Tookoonooka, the recently granted Potential Commercial Area ("PCA") 332 and its four 100% operated petroleum licenses (PL 114 Wareena, PL 157 Ghina, PL 188 Ramses, PL 411 Karnak) are situated within an area of the Cooper Basin that is well served with production infrastructure and take-away capacity for produced crude oil and natural gas. While still in early stages in terms of appraisal and development, Bengal believes these assets offer attractive upside potential for both oil and gas. Australia presents a stable political, fiscal, and economic environment in which to operate, and a favourable royalty regime for oil and gas production.

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

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

AUSTRALIA - Cooper Basin, Queensland

PL303 and PL 1028 Cuisinier (controlling permit ATP 752) (30.357% WI)

A pilot water injection-driven reservoir pressure maintenance scheme was initiated and after resolving mechanical issues, water injection activities commenced during calendar Q4 2021. This project is located in the southeast quadrant of the Cuisinier pool, with injection of water taking place at the Cuisinier 24 well. The broad nature of the Cuisinier structure combined with variable flank aquifer pressure support has resulted in pressure depletion within the central portion of the Cuisinier pool. The injection of produced formation water is anticipated to both increase production in up to four offsetting wells and reduce water handling charges. On establishing success of the pilot, the Joint Venture will begin a multi-staged water injection scheme, targeted fracture stimulation and more commercially efficient development drilling. The Joint Venture has observed compelling evidence that the overall field decline has been temporarily arrested with a modest upward trend in oil production rate in affected wells during the current quarter.

Bengal's joint venture partner and operator of the Cuisinier pool has indicated its intent to drill four wells in the Cuisinier field during calendar 2023. Bengal will not participate in this program given that the operator has not prepared a suitable field development plan considering the water injection pilot and projected capital and operating costs make such investment less attractive than alternatives available in Bengal's inventory.

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

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

Included in this program is the reinstatement of two gas wells and an existing gas pipeline to produce raw gas into existing infrastructure at PL 114 Wareena. The Company completed workover activities at Wareena 1 and Wareena 5 in November 2022. Initial test results indicate Wareena 1 would require additional stimulation and dewatering to yield commercial production rates. The Company is encouraged by wellhead pressure measured at Wareena 5 and therefore additional testing is planned subject to the availability of equipment. If this testing yields commercial rates, Bengal will tie-in the producing well to pipeline PPL 138. The Company is investing in a proprietary proof of concept arrangement to allow commercial gas production prior to a pipeline connection with all required equipment now on site.

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

ATP 732 Tookoonooka (100% WI)

The Company has conducted preliminary workover and stimulation program at the Caracal-1 well, a 53 API oil discovery in the Wyandra zone. The well produced oil to surface, although at lower-than-expected rates and is currently being assessed to determine capacity for commercial production versus drilling a more optimally placed appraisal well to assess the extent of the structure.

In June 2019, the Company applied for an amendment to the LWP ("Later Work Program") for the third term of ATP 732 permit. On October 22, 2019, the Company received approval from the Queensland regulatory authority for an amended LWP for the third, four-year term commencing April 1, 2019, to March 31, 2023. The approved LWP was revised to minimum activities of reprocessing seismic and inversion work with an estimated cost of $0.05 million and geological and geophysical investigation at an estimated cost of $0.05

million during the four-year term.

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

ATP 934 Barrolka East (100% WI)

ATP 934 is the Company's 100% owned natural gas exploration block. Bengal received approval of a special amendment for ATP 934 in March 2021 which relinquished 50% of the existing ATP area and extended the term of the ATP by entering an outcome based LWP for another 6 years to February 28, 2027. As part of the special amendment, another relinquishment of 118 sub blocks (50% of the remaining sub blocks) (88,972 acres) was required by February 28, 2023. This relinquishment was accepted by the regulator during April of 2023. The relinquished area was not considered to be prospective by the Company due to the lack of identified prospects and limited physical access. The LWP includes the drilling of up to 3 wells and 260 km2 of 3D seismic.

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

Bengal entered into an agreement with Santos in July of 2020 to farm-in on a portion of the ATP 934 block. Santos carried the drilling costs of one well to earn a 60% operated interest in the ATP 934 southern farm-out block, which represents 57.8% of the total block acreage post April 2020 relinquishment. On October 14, 2021, Santos completed the drilling of the Legbar-1 exploration well. Santos paid 100% of the costs to drill, plug and abandon the well and has accordingly earned a 60% working interest in 103,760 km2 gross exploration land.

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

Business Development

The Company is in discussions with potential industry and financial partners to fund some of these oil and gas related activities.

Non-IFRS and Other Financial Measures

Non-IFRS Financial Measures

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

Operating Netback

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

($000s) Operating netbacks	Three months ended March 31		Twelve months ended March 31	
	2023	2022	2023	2022
Oil sales	1,954	2,374	8,149	7,650
Realized gain on financial instruments	-	-	-	-
Royalties	(155)	(142)	(596)	(459)
Operating expenses	(721)	(807)	(3,101)	(3,082)
Operating netback	1,078	1,425	4,452	4,109

Funds from operations

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

($000s)	Three months ended March 31		Twelve months ended March 31	
	2023	2022	2023	2022
Cash (used in) from operating activities	(702)	437	2,111	835
Changes in non-cash working capital	273	78	(123)	597
Funds (used in) from operations	(429)	515	1,988	1,432

Working capital

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

Non-IFRS Financial Ratios

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

Operating netbacks per barrel	Three months ended March 31		Twelve months ended March 31	
	2023	2022	2023	2022
($/bbl)				
Oil sales	119.18	151.72	124.07	114.53
Royalties	(9.45)	(9.08)	(9.07)	(6.87)
Operating expenses	(43.98)	(51.58)	(47.21)	(46.14)
Operating netback	65.75	91.06	67.79	61.52

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

About Bengal

Bengal Energy Ltd. is an international junior oil and gas exploration and production company with assets in

Australia. The Company is committed to growing shareholder value through international exploration, production, and acquisitions. Bengal's common shares trade on the TSX under the symbol "BNG". Additional information is available at www.bengalenergy.ca.

CAUTIONARY STATEMENTS:

Forward-Looking Statements

This news release contains certain forward-looking statements or information ("forward-looking statements") as defined by applicable securities laws that involve substantial known and unknown risks and uncertainties, many of which are beyond Bengal's control. These statements relate to future events or our future performance. All statements other than statements of historical fact may be forward-looking statements. The use of any of the words "plan", "expect", "future", "prospective", "project", "intend", "believe", "should", "would," "anticipate", "estimate", or other similar words or statements that certain events "may" or "will" occur are intended to identify forward-looking statements. The projections, estimates and beliefs contained in such forward-looking statements are based on management's estimates, opinions, and assumptions at the time the statements were made, including assumptions relating to: the impact of economic conditions in North America and Australia and globally; industry conditions; changes in laws and regulations including, without limitation, the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced; increased competition; the availability of qualified operating or management personnel; fluctuations in commodity prices, foreign exchange or interest rates; stock market volatility and fluctuations in market valuations of companies with respect to announced transactions and the final valuations thereof; results of exploration and testing activities; and the ability to obtain required approvals and extensions from regulatory authorities. We believe the expectations reflected in those forward-looking statements are reasonable but, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that Bengal will derive from them. As such, undue reliance should not be placed on forward-looking statements.

Forward-looking statements contained herein include, but are not limited to, statements regarding:

- Bengal's multi-phase water injection scheme, targeted fracture stimulation and the results thereof at ATP 752;
- Bengal's development plans for its four PLs at ATP 934.

The forward-looking statements contained herein are subject to numerous known and unknown risks and uncertainties that may cause Bengal's actual financial results, performance or achievement in future periods to differ materially from those expressed in, or implied by, these forward-looking statements, including but not limited to, risks associated with: the failure to obtain required regulatory approvals or extensions; the failure to satisfy the conditions under farm-in and joint venture agreements; the failure to secure required equipment and personnel; changes in general global economic conditions including, without limitations, the economic conditions in North America and Australia; increased competition; the availability of qualified operating or management personnel; fluctuations in commodity prices, foreign exchange or interest rates; changes in laws and regulations including, without limitation, the adoption of new environmental and tax laws and regulations and changes in how they are interpreted and enforced; the results of exploration and development drilling and related activities; the ability to access sufficient capital from internal and external sources; and stock market volatility. Readers are encouraged to review the material risks discussed in Bengal's annual information form for the year ended March 31, 2023, under the heading "Risk Factors" and in Bengal's management's discussion and analysis for the Q3 of the fiscal year ending March 31, 2023, under the heading "Risk Factors". The Company cautions that the foregoing list of assumptions, risks, and uncertainties is not exhaustive. The forward-looking statements contained in this news release speak only as of the date hereof and Bengal does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable securities laws.

Selected Definitions

The following terms used in this news release have the meanings set forth below:

bbl - barrel
bbls - barrels
bbls/d -barrels per day

$/bbl - dollars per barrel
Q1- three months ended June 30
Q2- three months ended September 30
Q4 - three months ended March 31

Non-IFRS Measurements

Within this news release, references are made to terms commonly used in the oil and gas industry. Funds from (used in) operations, funds from (used in) operations per share, operating netback, netback per bbl, adjusted net income (loss) and adjusted net income (loss) per share do not have any standardized meaning under IFRS and previous GAAP and are referred to as non-IFRS measures. Funds from (used in) operations per share are calculated based on the weighted average number of common shares outstanding consistent with the calculation of net income (loss) per share. Operating netback includes realized losses on financial instruments. Netback per bbl is calculated by dividing revenue (including realized loss on financial instruments) less royalties, and operating expenses by the total production of the Company measured in bbl. Adjusted net income (loss) and adjusted net income (loss) per share are calculated based on Net income (loss) plus unrealized loss (gain) on financial instruments less unrealized foreign exchange loss (gain) and non-cash impairment of non-current assets. The Company's calculation of the non-IFRS measures included herein may differ from the calculation of similar measures by other issuers. Therefore, the Company's non-IFRS measures may not be comparable to other similar measures used by other issuers. Funds from operations is not intended to represent operating profit for the period nor should it be viewed as an alternative to operating profit, net income, cash flow from operations or other measures of financial performance calculated in accordance with IFRS. Non-IFRS measures should only be used in conjunction with the Company's annual audited and interim financial statements. A reconciliation of these measures can be found in the tables on pages 16 of Bengal's management's discussion and analysis for the fiscal year ending March 31, 2023.

Disclosure of Oil and Gas Information

This document discloses test results which are not necessarily indicative of long-term performance or of ultimate recovery.

FOR FURTHER INFORMATION PLEASE CONTACT:

Bengal Energy Ltd.
Chayan Chakrabarty, President & Chief Executive Officer
Jerrad Blanchard, Chief Financial Officer
(403) 205-2526
Email: investor.relations@bengalenergy.ca
Website: www.bengalenergy.ca

To view the source version of this press release, please visit https://www.newsfilecorp.com/release/170364