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**Bengal Energy Announces the Filing of a Preliminary Prospectus for Previously Announced \$7.9 million Equity Financing and Provides an Update on Australian Properties**

**January 18, 2011 - Calgary, Alberta – Bengal Energy Ltd. (TSX: BNG)** ("Bengal" or the "Company") is pleased to announce that it has filed a preliminary short form prospectus with respect to its previously announced \$7.9 million financing (the "Offering"). The Offering is being conducted on a "bought deal" basis through a syndicate of underwriters led by Mackie Research Capital Corporation and including Wellington West Capital Markets Inc. and Toll Cross Securities Inc. The net proceeds from the Offering will be used to fund the Company's ongoing capital expenditure programs in Australia and India and for general working capital purposes.

**Update on Australian Properties**

Australia's Cooper Basin experienced heavy rain and local flooding in December 2010 that has continued to date. The Company currently has a 25% working interest in the Cuisinier 1 well (the "Cuisinier 1 Well"), which is located on the Barta sub-block ("Barta Block") of the Cooper Basin within Authority to Prospect ("ATP") 752P. Production from the Cuisinier 1 Well is currently shut in as road closures related to the flooding have prevented the transportation of the Company's crude oil production to processing facilities. Prior to being shut-in, the Cuisinier 1 Well was producing approximately 460 barrels of oil per day (gross) and 115 barrels of oil per day (net to Bengal, based on Bengal's current 25% working interest), calculated on a daily producing basis (being the average production rate for 12 producing days out of 30 days in November, 2010), which net Cuisinier 1 Well production represents approximately 60% of the Company's oil and gas production. Locally, operations for drilling are possible and on January 5, 2011 the Company was notified by the operator of ATP 752P that it proposes to drill an additional appraisal well ("Cuisinier Appraisal Well B"). The proposed well location is 735 metres south of the Cuisinier 1 oil discovery and is scheduled to be drilled in the first quarter of 2011. The Company will pay 25% of the drilling costs of this well, in accordance with its working interest share, which are estimated to be \$557,000 net to the Company.

The Company anticipates being able to resume production operations as soon as road conditions permit, subject to normal weather patterns and rainfall.

***About Bengal***

Bengal Energy Ltd. is an international junior oil and gas exploration and production company with assets in Australia, India and Canada. The Company is committed to growing shareholder value through international exploration, production and acquisitions. Bengal trades on the TSX under the symbol BNG. Additional information is available at [www.bengalenergy.ca](http://www.bengalenergy.ca).

***Forward-Looking Statements***

*This news release contains certain statements which constitute forward-looking statements or information ("forward-looking statements") within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and applicable Canadian securities legislation. All statements other than statements of historical fact are forward-looking statements. Specifically this news release includes forward-looking statements regarding the closing of the Offering, the amount and use of proceeds from the Offering, and the drilling of the Cuisinier Appraisal Well B.*

*These forward-looking statements are based on certain key expectations and assumptions, including assumptions regarding the timing of receiving required approvals, the use of proceeds, the closing of the Offering the timing, execution and success of drilling of the Cuisinier Appraisal Well B and other capital expenditures for ATP 752P where Bengal is not the operator, the timing of the resumption of production operations for the Cuisinier 1 Well and the general economic conditions in Canada, Australia, India and globally and operations of the Company. These factors and assumptions are based upon currently available information and the forward-looking statements contained herein speak only as of the date hereof. Although the Company believes the expectations and assumptions reflected in the forward-looking statements are reasonable, as of the date hereof, undue reliance should not be placed on the forward-looking statements as Bengal can give no assurances that they will prove correct and because forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could influence actual results or events and cause actual results or events to differ materially from those stated, anticipated or implied in the forward-looking statements. These risks include, but are not limited to: uncertainties and other factors that are beyond the control of the Company; global economic conditions; risks associated with the oil and gas industry; commodity prices and exchange rate changes; operational risks associated with exploration, development and production operations; delays or changes in plans; specific risks associated with the ability to execute production sharing contracts, ability to meet work commitments, ability to meet the capital expenditures, estimated size of any seismic features and whether additional geosciences work will progress to defining drillable locations; risk associated with stock market volatility and the marketability of the Offering; and the ability of the Company to continue as a going concern. The Company assumes no obligation to update any forward-looking statements or to update the reasons why actual results could differ from those reflected in the forward-looking statements, except as required by securities laws. Additional information identifying risks and uncertainties is contained in filings of the Company with Canadian securities regulators, which are available under the Company's profile at [www.sedar.com](http://www.sedar.com).*

***Disclaimer***

*This news release does not constitute an offer to sell or a solicitation of an offer to buy any of the securities in the United States of America. The securities have not been and will not be registered under the United States Securities Act of 1933 (the "U.S. Securities Act") or any state securities laws and may not be offered or sold within the United States or to U.S. Persons (as defined in the U.S. Securities Act) unless registered under the U.S. Securities Act and applicable state securities laws, or an exemption from such registration is available.*

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