BARAKA ENERGY & RESOURCES LIMITED

ABN 80 112 893 491

and Controlled Entities

INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2014

DIRECTORS' REPORT

The directors of Baraka Energy & Resources Limited ("Baraka" or the "Company") submit their report for the half year ended 31 December 2014.

DIRECTORS

The names of the Company's directors in office during the half year period and until the date of this report are set out below. Directors were in office for the entire period unless otherwise stated.

Collin Vost	Managing Director/Chairman	Appointed 18 May 2009
Justin Vost	Non-Executive Director	Appointed 15 March 2011
Ray Chang	Non-Executive Director	Appointed 23 November 2011

REVIEW AND RESULTS OF OPERATIONS

The consolidated net loss from continuing operations after income tax for Baraka and its subsidiaries ("the Group" or "the consolidated entity") for the half year ended 31 December 2014 was $225,659 (2013: $355,686).

Southern Georgian Basin

In mid November 2014, Statoil Australia Theta B.V ("Statoil") informed Baraka that it had concluded the drilling and testing campaign on the permits, EP127 and EP128, in the Georgina Basin, Northern Territory, Australia, and based on the disappointing results, Statoil had decided to withdraw from any further activity on these permits.

Whilst this was disappointing news from Statoil, Baraka has been approached by a Canadian group interested in pursuing exploration on the conventional targets within EP127. Baraka shareholders may recall that Baraka's Board pressed for these conventional targets to be considered in the 2014 work program, but were, at that time, unsuccessful.

More importantly, all Northern Territory Government minimum work requirements have been met on EP127 and EP128 permits for the 2015 year.

Baraka has subsequently applied for the renewal of Exploration Permit EP128, which has an expiry of 13 June 2015. Additionally, based on both Petrofrontier and Statoil's announcements and continued discussions with Baraka, it is expected that Baraka will also lodge an application for renewal of EP127 in its own right as 100% permit holder in due course. EP127 does not expire until 13 December 2015 and once again, all commitments have been met to that date.

It is important to note that the McIntyre 2H well, initially drilled by Petrofrontier on EP127, indicated high gas readings during drilling, however after fraccing this was unable to be investigated further due to the well producing excessive water and hydrogen sulphide (H_2S), and was suspended for safety reasons.

Statoil were predominantly seeking a large unconventional shale basin similar to those basins in USA/Canada, in an area representing some 13 million acres, including the 2 permits controlled by Petrofrontier and Statoil. Only 5 wells were drilled in the eastern area of all the permits, and although they were unsuccessful, this leaves an enormous area yet to be explored. EP127 and EP128 combined represent some 8 million of those acres, of which Baraka previously had a 25% working interest.

Baraka continues to have discussions on a number of different fronts and especially in regards to new projects, and this includes distressed oil and gas permits in an unlisted Australian company in Texas and these discussions are ongoing but incomplete.

Whilst the board continues to assess other opportunities it will be the short term goal to concentrate on those ventures, investments and projects currently in hand throughout the 2014/2015 financial year.

Baraka has extremely low overhead expenses, negligible liabilities and some $4.65m of cash and current assets, of which $700,000 is expected to be recovered in next quarter to add to the current cash position.

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained the independence declaration set out on page 5 from our auditors, Rothsay Chartered Accountants. The independence declaration forms part of this report.

Signed in accordance with a resolution of the directors.

Collin Vost

Chairman

Perth, 13 March 2015

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The Directors
Baraka Energy & Resources Ltd
PO Box 190
South Perth WA 6951

Dear Sirs

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

i) no contraventions of the auditor independence requirements of the Act in relation to the audit review of the 31 December 2014 interim financial statements; and

ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Rolf Garda (Lead auditor)

Rothsay Chartered Accountants

Dated 13 March 2015

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Note	Consolidated 31 December 2014 $	31 December 2013 $
REVENUE			
Interest	2(a)	110,521	26,604
Increase in fair value of held for trading investments		8,613	20,399
Profit on share and option trading		11,110	-
Other income		38	1,196
		130,282	48,199
EXPENDITURE			
Administration expenses	2(c)	(130,011)	(173,473)
Occupancy		(24,594)	(22,668)
Loss on sale of property, plant & equipment		(752)	-
Technical consultants	2(c)	(150,000)	(173,045)
Travel		(2,974)	(29)
Depreciation expense	2(c)	(61)	(238)
Interest paid		(4,461)	(662)
Salaries and employment expense	2(b)	(36,000)	(36,000)
Other		(7,088)	(1,843)
Loss before income tax		(225,659)	(359,759)
Income tax (expense)/benefit		-	715,445
Total Comprehensive Profit (Loss) for the period attributable to Members of Baraka Energy & Resources Limited		(225,659)	355,686
Earnings per share (cents per share):			
Basic earnings (loss) per share		(0.01)	0.017
Diluted earnings (loss) per share		(0.01)	0.017

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Note	Consolidated 31 December 2014 $	30 June 2014 $
ASSETS			
Current Assets			
Cash and cash equivalents	4	990,794	697,424
Trade and other receivables		15,427	1,808,239
Other assets		3,481,068	2,490,836
Other financial assets		168,252	174,576
TOTAL CURRENT ASSETS		4,655,541	5,171,075
NON-CURRENT ASSETS			
Property, plant and equipment		-	813
Exploration and evaluation expenditure	5	6,703,223	6,693,223
TOTAL NON-CURRENT ASSETS		6,703,223	6,694,036
TOTAL ASSETS		11,358,764	11,865,111
CURRENT LIABILITIES			
Trade and other payables		55,795	351,910
Borrowings		15,427	-
TOTAL CURRENT LIABILITIES		71,222	351,910
TOTAL LIABILITIES		71,222	351,910
NET ASSETS		11,287,542	11,513,201
EQUITY			
Issued capital	6	54,251,948	54,251,948
Accumulated losses		(42,964,406)	(42,738,747)
TOTAL EQUITY		11,287,542	11,513,201

The above statement of financial position should be read in conjunction with the accompanying notes.

INTERIM CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Note	Consolidated 31 December 2014 $	31 December 2013 $
Cash flows from operating activities			
Payments to suppliers and employees		(654,215)	(341,131)
R&D proceeds		1,805,658	715,445
Interest received		53,340	31,259
Interest paid		(4,461)	(662)
Net cash flows used in operating activities		1,200,322	404,911
Cash flows from investing activities			
Payments for financial assets		(7,283)	-
Proceeds from sale of financial assets		33,330	-
Payments for exploration and evaluation expenditure		(10,000)	(583,532)
Loans to other entities		(945,008)	(375,372)
Repayment of loans to other entities		7,763	440,000
Net cash flows used in investing activities		(921,198)	(518,904)
Cash flows from financing activities			
Proceeds from issue of shares		-	748,411
Payments for share issue costs		-	(63,571)
Borrowings		14,246	28,439
Net cash flows from financing activities		14,246	713,279
Net increase/(decrease) in cash and cash equivalents		293,370	599,286
Cash at the beginning of the period - 1 July 2014		697,424	620,978
Cash and cash equivalents at the end of the period	4	990,794	1,220,264

The above statement of cash flows should be read in conjunction with the accompanying notes.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Attributable to equity holders of the parent Consolidated			
	Issued Capital $	Option Premium Reserve $	Accumulated Loss $	Total Equity $
CONSOLIDATED				
As at 1 July 2013	53,567,108	-	(48,666,314)	4,900,794
Profit for the period	-	-	355,686	355,686
Equity Transactions				
Issue of share capital	748,411	-	-	748,411
Share issue costs	(63,571)	-	-	(63,571)
As at 31 December 2013	54,251,948	-	(48,310,628)	5,941,320
CONSOLIDATED				
As at 1 July 2014	54,251,948	-	(42,738,747)	11,513,201
Loss for the period	-	-	(225,659)	(225,659)
Equity Transactions				
Issue of share capital	-	-	-	-
Share issue costs	-	-	-	-
As at 31 December 2014	54,251,948	-	(42,964,406)	11,287,542

The above statement of changes in equity should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

1. Basis of Preparation

This general purpose financial report for the interim half-year reporting period ended 31 December 2014 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by Baraka Energy & Resources Limited during the interim period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2014, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2014.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

Accounting Policies

Revenue recognition

Dividends received from a subsidiary, joint venture or associate shall be recognised as dividend revenue in the profit or loss irrespective of whether such dividends may have been paid out of pre-acquisition profits. Previously, such dividends were treated as a return of capital invested. Such dividends may be an indicator of impairment where the carrying amount of the investment exceeds the consolidated net assets relating to that investment or where the dividend exceeds the total comprehensive income of the respective investee in the period the dividend is declared.

Plant and equipment

All plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Depreciation of plant and equipment is calculated using the reducing balance method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term. The rates vary between 20% and 40% per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When re-valued assets are sold, it is Company policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

Exploration and evaluation costs

Exploration and evaluation costs are written off in the year they are incurred apart from acquisition costs which are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through the sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Where an area of interest is abandoned or the directors decide that it is not commercial, any accumulated acquisition costs in respect of that are written off in the financial period the decision is made. Each area of interest is reviewed at the end of each accounting period and accumulated costs are written off to the extent that they will not be recoverable in the future.

Going concern

The directors have prepared the financial statements of the consolidated entity on a going concern basis. In arriving at this position, the directors have considered the following pertinent matters:

1. Cash on hand at balance date is $991,000; and
2. Current cash resources are considered more than adequate to fund the consolidated entity's immediate operating and exploration activities.

In the directors' opinion, at the date of signing this financial report, there are reasonable grounds to believe that the matters set out above will be achieved and the directors have therefore prepared the financial statements on a going concern basis.

Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the interim financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key Judgment – Exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the consolidated entity decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of extraction, future legal changes (including changes to environmental restoration obligations), political factors in the country in which the exploration is taking place and changes to commodity prices.

To the extent that capitalized exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

In addition, exploration and evaluation is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

2. REVENUE AND EXPENSES

Profit before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the consolidated entity:

	Consolidated 31 December 2014 $	Consolidated 31 December 2013 $
(a)Revenue		
Bank interest	18,477	6,259
Other	92,044	20,345
(b) Employee benefits expense		
Wages and salaries	36,000	36,000
(c) Other expenses		
Depreciation	61	238
Technical consultants	150,000	173,045
Administration expenses	130,011	173,473

3. DIVIDENDS PAID OR PROPOSED

No dividend was paid or proposed during the period.

4. CASH AND CASH EQUIVALENTS

For the purposes of the Condensed Cash Flow Statement, cash and cash equivalents comprise the following:

	Consolidated 31 December 2014 $	Consolidated 31 December 2013 $
Cash at bank and in hand	990,794	1,220,264
	990,794	1,220,264

5. EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated 31 December 2014 $	Consolidated 30 June 2014 $
Opening balance	6,693,223	5,890,708
Additions	10,000	802,515
Impairment	-	-
Closing balance	6,703,223	6,693,223

The ultimate recoupment of the Company's expenditure on its oil and gas interests is dependent upon the successful development and commercial exploitation or sale of the respective interests at amounts at least equal to book value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

6. ISSUED AND PAID UP CAPITAL

	Consolidated 31 December 2014 $	Consolidated 30 June 2014 $
Ordinary Shares		
Issued share capital	54,581,799	54,581,799
Cost of capital raising	(329,851)	(329,851)
Issued and fully paid	54,251,948	54,251,948

7. SEGMENT REPORTING

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings since the diversifications of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on this basis.

Reportable segment disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and also similar with respect to the following:

- The product sold and/or services provided by the segment;
- The manufacturing process;
- The type or class of customer for the product or service
- The distribution method; and
- External regulatory requirements

Assets by geographical region

The Group operated only in Australia.

8. CONTINGENT ASSETS AND LIABILITIES

The directors are not aware of any contingent liabilities or contingent assets at 31 December 2014 not otherwise disclosed in this report.

9. EVENTS AFTER THE BALANCE DATE

Other than the following, there are no matters or circumstances that have arisen since the end of the half-year which significantly affect or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Baraka has applied for the renewal of Exploration Permit EP128, which has an expiry of 13 June 2015. EP128 and is the most northerly permit of the two permits Baraka has an interest in, in the Georgina Basin, Northern Territory, Australia. The application to renew the permit is in the name of Baraka as 100% holder.

DIRECTOR'S DECLARATION

In accordance with a resolution of the directors of Baraka Energy & Resources Limited (the "consolidated entity"), in the opinion of the directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

 (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2014 and the performance for the half year ended on that date; and

 (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Collin Vost

Chairman

Perth, 13 March 2015

ROTHSAY

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Independent Review Report to the Members of Baraka Energy & Resources Ltd

The financial report and directors' responsibility
The interim consolidated financial report comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, cashflow statement, accompanying notes to the financial statements, and the directors' declaration for Baraka Energy & Resources Ltd for the half-year ended 31 December 2014.

The Company's directors are responsible for the preparation and fair presentation of the consolidated financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach
We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim consolidated financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated financial position as at 31 December 2014 and the performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Baraka Energy & Resources Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Independence
In conducting our review we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim consolidated financial report of Baraka Energy & Resources Ltd is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the consolidated financial position as at 31 December 2014 and of the performance for the half-year ended on that date; and

- complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Rothsay

Rothsay

Rolf Garda
Partner

Dated 13 March 2015

Chartered Accountants