BARAKA ENERGY & RESOURCES LTD
A.B.N. 80 112 893 491

AND CONTROLLED ENTITIES

INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2015

BARAKA ENERGY & RESOURCES LTD (ABN 80 112 893 491)
AND CONTROLLED ENTITIES
INDEX

Contents Page

Your Directors present their report, together with the financial statements of the Group, being the Company and its controlled entity, for the half year ended 31 December 2015.

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

Operating Results

The consolidated net profit from continuing operations after income tax for Baraka and its subsidiaries ("the Group" or "the consolidated entity") for the half year ended 31 December 2015 was $802,013 (31 December 2014: ($225,659)).

Review of Operations

Southern Georgina Basin

As previously reported in mid November 2014, Statoil Australia Theta B.V ("Statoil") as Operator informed Baraka that it had concluded the drilling and testing campaign on the permits, EP127 and EP128, in the Georgina Basin, Northern Territory, Australia. Based on the disappointing results of seeking large Unconventional Oil areas, Statoil had decided to withdraw from any further activity on these permits as Operator, and as a joint venture partner. At the same time Petrofrontier, the other JV Partner also indicated that they would be withdrawing.

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

The initial well on EP127, Macintyre II, drilled in August 2011 by Petrofrontier located in the western side of the permit, allegedly the first Horizontally drilled and fracked well in Australia, recovered high grade quality gas results, but unfortunately encountered water and H_2S, which is a dangerous gas, able to be managed in all wells, but operations were suspended.

Baraka and its previous exploration consultants believed that the western side of EP127, and in particular the Hagen Member and Dulcie Syncline, held considerable potential for Conventional Oil & Gas, to the extent that at that time interest was expressed by a Canadian group wanting to pursue exploration of those areas. Discussions may be reinstated at a later date subject to the outcome of our current action application for renewal of the permits in our own name.

Baraka appointed experienced Lawyers and Tenement Administrators in the Northern Territory, as well as RISC , a world renowned Oil and Gas consulting firm, to assist in expediting the renewal of both permits under the sole ownership of Baraka as 100% Permit Holders.

On the 7th January 2016 Baraka announced that it had elected to withdraw from the renewal of EP128 based on what they considered were too onerous expenditure commitments required by the NT DEMR for this permit based on current market conditions.

EP 128 was the most Northerly permit held by Baraka and based on the Basins known structure of dipping to the South East, the shallowest area was in EP128, and hence viewed as the least prospective.

Baraka is however pursuing renewal of EP127, and has lodged a revised work program to the DEMR with amended expenditures on the 31st December 2015.

Baraka recently received an encouraging letter from the NT Department of Energy and Minerals in regards to EP127 which indicated an approval of renewal in the name of Baraka as a 100% equity holder provided we agreed to a modest amendment to the commitments over a 5 year period. Baraka is in the process of considering a response and will keep the market fully informed when the NT Government has considered, and decided on our submission. If successful this will provide an area of some 4 million acres of exploration area for the first 12 months of the renewal period, twice the size of our previous holdings which was only 25% of approximately 8 million acres.

Importantly this permit contains the McIntyre II well area that displayed high gas readings, the Dulcie syncline, as well as the highly promising Hagen Member, considered by our previous exploration Manger to contain a Conventional Oil Target area. Baraka has, in addition to pursuing the renewal of permit EP127, and seeking farm in partners, continued to assess a number of other projects and ventures for the benefit of its shareholders, including maximising and or conversion of its current assets, and seeks to create cash generating opportunities as soon as realistically possible.

Whilst the world's energy and resource companies are suffering low oil, iron ore, coal and other commodity prices, history shows that these are only temporary corrections in the world's growth and cycles, and will result in the same recovery of prices and demand as every other recession, and or commodity cycle in the past 40 years, especially considering the growth of China, India and other Asian countries, as well as a recovering USA.

Iron Sands "Loan Profit Sharing Agreement"

Baraka entered into a Commercial Secured Loan Agreement in September 2012, including 7.5% interest payments, and a 75% amended profit sharing arrangement with an unlisted public company, with an iron sands venture in the Philippines. Details of which have been previously announced. The project was introduced to Baraka by Cervantes Corporation Ltd (ASX:CVS) who will as a result be entitled to certain fees, profits and or the right to back in to the investment at a later date subject to particular goals and conditions being achieved.

As a result of Baraka's assistance, the permits controlled by the unlisted public company were renewed and further exploration of the areas are being pursued, via the 100% owned Philippine subsidiary of the unlisted public company, in an attempt to add value to the underlying assets of the loan agreement and in particular the potential cash flows.

Baraka continues discussions in regards to farming down or disposing of all or part of this investment to third parties, subject to the resolution of continued drawn out legal disputes created by the previous unlisted public company directors who have since been removed.

This opportunity was considered by Baraka as a distressed situation at the time, in line with the guidelines previously outlined by the board, to secure such opportunities and add value for Baraka shareholders where possible. The board of Baraka may need to reconsider the current loan arrangements as a result of the extended and drawn out legal actions and the extra funding required. The potential of this venture based on the anticipated life of mine yet to be formally established is extensive regardless of the current Iron Ore market, as the cost of extraction and separation is extremely low. Whilst Baraka would like to convert the current arrangements to a direct equity position, it is currently restricted by the ASX rules. Baraka intends to have discussions with the ASX in due course and at the appropriate time on this issue.

This arrangement can be considered a "Streaming" facility whereby companies provide support and funding in return for a share of the profits and or royalties. Companies in Canada and the USA have been extremely successful with this type of facility by obtaining long term cash flows for life of mine projects.

Baraka continues to have extremely minimal debt, with cash and current assets of approximately $6.18m (2015 $5.41m), and continues to assess other opportunities which the board believes will add value for its shareholders, in a market where cash and a clean balance sheet is a valuable commodity.
Subject to the successful outcome of the company's current R&D application, the cash position of Baraka could be substantially enhanced prior to the end of March.

Whilst the R & D sum has been credited to our ATO Portal, and in our accounts as a result of the crediting of the sum of $1.1m Gross before fees, we have not yet received the funds. We and our accountants have clarified and responded to an ATO query in relation to our GST and BAS return relating to the R&D, and expect an answer imminently.

Baraka now has some $12.8m of Net Assets, and considering the company was rescued from receivership by the current board in June of 2009, and has some $41m of accumulated losses from activities still to be utilised, prior to the current management involvement, we believe the shareholders should have a considerable amount of confidence in the company's future.

BARAKA ENERGY & RESOURCES LTD ABN 80 112 893 491
AND CONTROLLED ENTITIES
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2015

	Note	Consolidated Group	
		31 December 2015	31 December 2014
Continuing Operation		$	$
Revenue			
Interest income	2	124,764	110,521
Profit on sale of investments		-	11,110
Fair value adjustment		-	8,613
Other income	2	1,098,052	38
		1,222,816	**130,282**
Expenses			
Loss on sale of equipment		-	(752)
Decrease in fair value of assets		(63,822)	-
Employee benefits expenses		(32,000)	(36,000)
Depreciation expenses		-	(61)
Occupancy expenses		(24,427)	(24,594)
Technical consultants and contracts	3	(220,909)	(150,000)
Travel expenses		(2,432)	(2,974)
Finance costs		(954)	(4,462)
Administration expenses	3	(75,686)	(130,011)
Other		(573)	(7,089)
		(420,803)	**(355,943)**
Profit (Loss) before income tax		**802,013**	**(225,659)**
Income tax (expense) / benefit		**-**	**-**
Profit (Loss) after tax		**802,013**	**(225,659)**
Other comprehensive income		**-**	**-**
Total comprehensive income net of income tax		**802,013**	**(225,659)**
Basic loss per share (cents per share)		0.03	(0.01)
Diluted loss per share (cents per share)		0.03	(0.01)

The accompanying notes form part of these financial statements

BARAKA ENERGY & RESOURCES LTD ABN 80 112 893 491
AND CONTROLLED ENTITIES
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Note	Consolidated Group	
		31 December 2015	30 June 2015
		$	$
Current Assets			
Cash and cash equivalents	4	341,334	334,781
Trade and other receivables		1,098,052	921,594
Other assets		4,609,699	3,959,920
Other financial assets		132,209	196,031
Total Current Assets		**6,181,294**	**5,412,326**
Non-Current Assets			
Property, plant and equipment		-	-
Exploration & evaluation expenditure	5	6,797,569	6,722,927
Total Non-Current Assets		**6,797,569**	**6,722,927**
Total Assets		**12,978,863**	**12,135,253**
Current Liabilities			
Trade and other payables		108,320	66,723
Total Current Liabilities		**108,320**	**66,723**
Total Liabilities		**108,320**	**66,723**
Net Assets		**12,870,543**	**12,068,530**
Equity			
Issued capital	6	54,251,948	54,251,948
Accumulated losses		(41,381,405)	(42,183,418)
Total Equity		**12,870,543**	**12,068,530**

The accompanying notes form part of these financial statements

BARAKA ENERGY & RESOURCES LTD ABN 80 112 893 491
AND CONTROLLED ENTITIES

STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2015

Consolidated Group	**Share Capital**	**Accumulated Losses**	**Reserves**	**Total**
	$	**$**	**$**	**$**
Balance at 1 July 2014	54,251,948	(42,738,747)	-	11,513,201
Shares issued during year	-	-	-	-
Transaction costs	-	-	-	-
Net profit attributable to members of the parent entity	-	(225,659)	-	(225,659)
Balance at 31 December 2014	54,251,948	(42,964,406)	-	11,287,542
Balance at 1 July 2015	54,251,948	(42,183,418)	-	12,068,530
Shares issued during year	-	-	-	-
Transaction costs	-	-	-	-
Net profit attributable to members of the parent entity	-	802,013	-	802,013
Balance at 31 December 2015	54,251,948	(41,381,405)	-	12,870,543

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2015

	Note	Consolidated Group	
		31 December 2015	**31 December 2014**
		$	**$**
Cash Flows from Operating Activities			
Payments to suppliers and employees		(324,716)	(654,215)
Interests received		32,948	53,340
R&D tax offset proceeds		896,594	1,805,658
Interests paid		(954)	(4,461)
Net cash used in operating activities		**603,874**	**1,200,322**
Cash Flows from Investing Activities			
Payments for financial assets		-	(7,283)
Proceeds from sale of financial assets		-	33,330
Loans repaid by other entities		-	7,763
Loans to other entities		(522,677)	(945,008)
Payments for exploration & evaluation		(74,642)	(10,000)
Net cash used in investing activities		**(597,319)**	**(921,198)**
Cash Flows from Financing Activities			
Proceeds of issue of shares		-	-
Costs of share issue		-	-
Borrowings		-	14,246
Net cash provided by financing activities		**-**	**14,246**
Net increase/(decrease) in cash and cash equivalents		6,553	293,370
Cash at the beginning of the year - 1 July 2015		334,781	697,424
Cash at the end of the year	**4**	**341,334**	**990,794**

The accompanying notes form part of these financial statements

Note 1: Statement of Significant Accounting Policies

Basis of Preparation

This general purpose financial report for the interim half-year reporting period ended 31 December 2015 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 2015 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 2015, 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 2015.

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 $341,334;
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.

	Consolidated Group	
	31 December 2015	**31 December 2014**
	$	**$**
NOTE 2: Revenue and Other Income		
Interest revenues		
Bank interest	4,748	18,477
Other	120,016	92,044
	124,764	**110,521**
Other income		
R&D tax offset proceeds	1,098,052	-
Realised Foreign Gains	-	38
	1,098,052	**38**
NOTE 3: Loss for the Half Year		
Administration expenses	75,686	130,011
Rental expenses	24,427	24,594
Technical consultants and contracts	220,909	150,000

	Consolidated Group	
	31 December 2015	**30 June 2015**
	$	**$**
NOTE 4: Cash and cash Equivalents		
Cash at bank & in hand	5,407	6,712
Interest bearing deposit	335,927	328,069
	341,334	**334,781**
NOTE 5: Exploration & evaluation expenditure		
Non-Current		
Opening balance	6,722,927	6,693,223
Additions	74,642	29,704
Impairment	-	-
	6,797,569	**6,722,927**
NOTE 6: Issued Capital		
2,225,337,344 (2015: 2,225,337,344) Fully paid ordinary shares	54,251,948	54,251,948
	54,251,948	**54,251,948**

NOTE 7: Contingent Liabilities

There are no contingent liabilities as at balance date or as at the date of the report.

NOTE 8: Segment Reporting

The consolidated entity operates in a single business segment being oil and gas exploration in Australia.

NOTE 9: Events After Balance Sheet Date

Baraka received confirmation of the expiry of permit EP128 on the 6th January 2016 as a result of our request to withdraw as outlined in previous announcement on the 7th January 2016.

Baraka recently received an encouraging letter from the NT Department of Energy and Minerals in regards to EP127 which indicated an approval of renewal in the name of Baraka as a 100% equity holder provided we agreed to a modest amendment to the commitments over a 5 year period. Baraka has responded to that suggestion by the NT DEM and will keep the market fully informed when the NT Government has considered and decided on our submission. If successful this will provide an area of some 4 million acres of exploration area for the first 12 months of the renewal period, twice the size of our previous holdings which was only 25% of approximately 8 million acres.

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, other than outlined herein.

BARAKA ENERGY & RESOURCES LTD (ABN 80 112 893 491)
AND CONTROLLED ENTITIES
DIRECTORS' 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 2015 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, 24 February 2016

ROTHSAY

Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Business Centre WA 6849
Phone 9486 7094 www.rothsayresources.com.au

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 2015 interim financial statements; and

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

Graham Swan (Lead auditor)

Rothsay Auditing

Dated 2nd March 2016

ROTHSAY

Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Business Centre WA 6849
Phone 9486 7094 www.rothsayresources.com.au

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 2015.

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 2015 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 2015 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 Auditing

Graham Swan
Partner

Dated 2nd March 2016