

31 January 2012

## QUARTERLY ACTIVITIES AND CASH FLOW REPORT

PERIOD ENDED 31 December 2011

### Highlights

- *Drilling of high angle pilot hole at MacIntyre 2 on EP127*
- *Logging results very positive showing approximately 22m of true vertical depth pay with porosities varying between 5 -11%*
- *Drill stem test conducted showed positive results*
- *Additional seismic planned for EP128 after wet season*

### Baraka Energy & Resources Limited

**Contacts:**

Collin Vost

Telephone: 08 6436 2350

**Directors:**

Collin Vost (Chairman/Managing Director)

Justin Vost (Non Executive)

Ray Chang (Non-Executive)

**Company Secretary:**

Patrick O'Neill

**Issued Capital:**

2,075,655,046 Ordinary Shares

17,000,000 Unlisted Options exercisable at 2 cents each on or before 30<sup>th</sup> June 2012

Australian Securities Exchange (ASX)

Code: BKP (Ordinary Shares Fully Paid)

Frankfurt Stock Exchange (FWB)

Code: RBD (Ordinary Shares Fully Paid)

Cash (31 December 2011):

\$4.3 million

## December Quarter Activities Report

Baraka Energy & Resources Limited ("Baraka" or "the Company") (ASX:BKP) (FWB:RBD) is pleased to provide its quarterly activities report for the period ended 31 December 2011.

PetroFrontier Corp. ("PetroFrontier") (TSX VENTURE:PFC), our joint venture partner and operator of our tenements, EP 127 and EP 128, in the Southern Georgina Basin, Northern Territory, where Baraka has a carried undivided 25% working interest up to completion of a minimum of 500 meters of horizontal drilling into the Basal Arthur Creek Shale on either EP 127 or EP 128, announced on 22 November 2011 that the "MacIntyre-2" inclined pilot hole well has been drilled to a measured depth ("MD") of 930 metres.

MacIntyre-2 was drilled as a high angle pilot hole through the Basal Arthur Creek "Hot Shale" formation and into the Thorntonian carbonate formation. Elevated hydrocarbon shows were recorded throughout the entire Basal Arthur Creek "Hot Shale" formation with sustained and peak levels generally two to three times greater than those seen in the vertical pilot hole at Baldwin-2Hst1.

The logging results for MacIntyre-2 are very positive showing approximately 22 metres of true vertical depth ("TVD") pay with porosities varying between 5 – 11%. Studies completed by two independent petrophysical companies indicate that the Arthur Creek "Hot Shale" zone in MacIntyre-2 may be oil bearing, although natural gas is present as well.

A drill stem test ("DST") was conducted in the high angle pilot hole over a 35 metre interval. Although a significant flow was not expected and did not occur as the formation is an unconventional oil shale, positive results were received as both the shut in pressures and the flow pressures increased throughout the test.

Comments by Paul Bennett, Chief Executive Officer and President, PetroFrontier:

*"We had high gas peaks (C1 through C5) throughout the drilling of the Arthur Creek "Hot Shale" in MacIntyre-2. In addition to the gas readings (samples were effervescing), there was some evidence of oil on the samples. Definitive results will be confirmed once we frac and flow MacIntyre-2H and Baldwin-2Hst1. We are extremely encouraged by the results to date in these two wells and by the fact that we now have two wells over 60 km apart that have both shown very encouraging signs in the Arthur Creek "Hot Shale. These results are an extremely positive sign and have the potential to add very significant value to the company and our shareholders. These two wells take us closer to confirming our original belief that PetroFrontier is about to unlock a massive unconventional resource in the Arthur Creek "Hot Shale". We look forward to announcing further results once both wells have been frac'd and completed in early 2012."*

## Operational Update for the Southern Georgina Basin Drilling program

Due to increasing rains and a continued heavy rain forecast in the Northern Territory of Australia, Baraka and PetroFrontier jointly made the decision to suspend operations; this will



defer the completion of the horizontal portion and the frac'ing of the MacIntyre-2 well until after the wet season, early 2012. Furthermore, Baraka also consented to extend the timeframe in which PetroFrontier can complete their obligations to earn their 50% equity in EP-127 and EP-128.

Access to the MacIntyre-2 well site is via 300 kilometres of rough graded dirt roads that could quickly turn impassable in the event of a heavy rain. In addition, the Northern Territory government frequently closes the Sandover and Plenty Highways that PetroFrontier uses for access during heavy rains to preserve the road infrastructure. Management is concerned that in such event, the drilling rig would be stranded for up to four months, at a heavy standby cost to PetroFrontier.

PetroFrontier was in the process of completing the Ross Infill 2D seismic survey over the northern portion of EP 103 on time and within budget. The crew was recording the final line of the survey adjacent to the Sandover Highway as it left the area. The 378 kilometre survey was required to delineate drilling targets in the area. Additional seismic acquisition is also planned in EP 104 and Baraka's EP 128 after the wet season in 2012.

Baraka also retains an undivided 75% working interest in approximately 75kms<sup>2</sup> around the Elkedra-7 well on EP 127, where previous drilling has indicated oil shows. This zone could be of significant value in the event of a discovery. Furthermore, Baraka has been approached by North American parties who have expressed an interest in participating in a Joint Venture on this area. In addition, Baraka has also been communicating with a group in the Ukraine who claim to have advanced technology for discovering prospective oil & gas deposits. Baraka is pursuing discussions on utilizing the technology over the 75kms<sup>2</sup> around the Elkedra-7.

Considering the substantial investment into oil shale in the Northern Territory by Hess Corporation (NYSE:HES) ("Hess") to the north of the Georgina Basin, Central Petroleum's Ltd (ASX:CTP) announced and indicated large expenditures into oil, coal and gas to the south of the Baraka permits, plus the numerous other unlisted players announcing their potential exploration on the fringes of the Georgina Basin, the Board expects a series of announcements of activities and results in the Northern Territory, which can only assist in placing Baraka on the radar screens of potential investors globally.

Further, PetroFrontier, as a result of inquiries from third parties and to maintain its financial flexibility, has retained Macquarie Capital Markets Canada Ltd. as its exclusive advisor to assist it in seeking a suitable joint venture partner. The selected party would participate with PetroFrontier in the exploration and development of its extensive unconventional and conventional exploration acreage in Australia's Southern Georgina Basin. PetroFrontier's future arrangement with such party may include a joint venture, farm-out or other similar relationship.

PetroFrontier has not set a definitive deadline, it anticipates completing this search by late March, 2012 so that it can coordinate such third party participation with its current exploration program. PetroFrontier does not intend to disclose developments with respect to the search process until its Board of Directors has approved a definitive agreement with a joint venture partner, or otherwise determines that disclosure is required. There can be no



assurance that the search process will result in PetroFrontier finding a suitable joint venture partner.

As a result of discussions, the Baraka board has advised PetroFrontier, that Baraka would not need to participate in any reduced percentage in the joint venture by virtue of any incoming party and could meet any and all cost commitments when required to retain its 25% participating interest in the joint venture.

#### New Ventures

Whilst the Board of Baraka is pleased and fortunate to have a very experienced joint venture partner such as PetroFrontier, who are committed and positive towards the potential of the Georgina Basin, backing it with expeditious activity, substantial funds, and with a drilling program expected to commence very soon, the Board of Baraka continues to assess numerous other projects to expand its exposure to other oil and gas projects, and other energy and resource ventures to ensure that Baraka is not a single project focused company going forward.

Your Board continues to assess other possible changes to improve Baraka's exposure and image within the market place, both in Australia and globally, for the benefit of our shareholders.

#### Corporate

Baraka, as a result of an introduction by and discussions with representative of New York Securities Pty Ltd, was formally listed on the Frankfurt Stock Exchange (FWB) on 14 October 2011 with Baraka's Frankfurt Stock Exchange Code as RBD.

The Frankfurt Stock Exchange is now part of the largest market in the world following the current merger with the New York Stock Exchange (NYSE), with direct access to greater than one third of the world's investment capital.

The Board is of the opinion, that considering Baraka's current activities, and anticipated expansion plans, including potential diversification, the Company would appeal to the European investors because of the strength of the Australian currency and the potential success of Baraka's oil shale project in the Northern Territory, accompanied by our cash reserves, nil liabilities, prudent management and possible acquisition/joint venture of other assets in due course, currently being assessed.

Baraka currently has some A\$5.02m of cash and liquid assets currently uncommitted, extremely low overhead expenses, nil liabilities and seeking investments and projects to add value to its shareholders shares.

#### Appendix 5B

The Appendix 5B for the quarter ended 31 December 2011 is attached.

## Appendix 5B

### Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

<b>BARAKA ENERGY &amp; RESOURCES LIMITED</b>
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ABN

80 112 893 491
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Quarter ended ("current quarter")

31 December 2011
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#### Consolidated statement of cash flows

	Current quarter SA'000	Year to date (6 months) SA'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) administration	(144)	(358)
1.3 Dividends received	7	8
1.4 Interest and other items of a similar nature received	58	124
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(79)</b>	<b>(226)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	(163)	(476)
(c) other fixed assets	-	(4)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	164	218
(c) other fixed assets	-	3
1.10 Loans to other entities	-	(623)
1.11 Loans repaid by other entities	53	53
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>54</b>	<b>(829)</b>
1.13 <b>Total operating and investing cash flows (carried forward)</b>	<b>(25)</b>	<b>(1,055)</b>

Appendix 5B  
Mining exploration entity quarterly report

<b>1.13 Total operating and investing cash flows (brought forward)</b>	<b>(25)</b>	<b>(1,055)</b>
<b>Cash flows related to financing activities</b>		
1.14 Proceeds from issues of shares, options, etc.	-	-
1.15 Proceeds from sale of forfeited shares	-	-
1.16 Proceeds from borrowings	-	-
1.17 Repayment of borrowings	-	-
1.18 Dividends paid	-	-
1.19 Other (provide details if material)	-	-
<b>Net financing cash flows</b>	<b>-</b>	<b>--</b>
<b>Net increase (decrease) in cash held</b>	<b>(25)</b>	<b>(1,055)</b>
1.20 Cash at beginning of quarter/year to date	4,328	5,358
1.21 Exchange rate adjustments to item 1.20		
1.22 Cash at end of quarter	4,303	4,303

Payments to directors of the entity and associates of the directors  
Payments to related entities of the entity and associates of the related entities

		Current quarter SA'000
1.23	Aggregate amount of payments to the parties included in item 1.2	56
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Directors fee, serviced office, bookkeeping and consulting fees.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

	Amount available SA'000	Amount used SA'000
3.1 Loan facilities		
3.2 Credit standby arrangements		

**Estimated cash outflows for next quarter**

	SA'000
4.1 Exploration and evaluation	104
4.2 Development	
4.3 Production	
4.4 Administration	144
<b>Total</b>	<b>244</b>

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter SA'000	Previous quarter SA'000
5.1 Cash on hand and at bank	9	828
5.2 Deposits at call	4,294	3,500
5.3 Bank overdraft		-
5.4 Other (provide details)		-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>4,303</b>	<b>4,328</b>

**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

Appendix 5B  
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference <sup>+</sup> securities <i>(description)</i>	-	-	-	-
7.2 Changes during quarter				
(a) Increases through issues	-	-	-	-
(b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 <sup>+</sup> Ordinary securities	2,075,655,046	2,075,655,046	-	-
7.4 Changes during quarter				
(a) Increases through issues	10,000,000	10,000,000		-
(b) Decreases through returns of capital, buy-backs				-
7.5 <sup>+</sup> Convertible debt securities <i>(description)</i>	-	-	-	-
7.6 Changes during quarter				
(a) Increases through issues	-	-	-	-
(b) Decreases through securities matured, converted	-	-	-	-
7.7 Options <i>(description and conversion factor)</i>			<b>Exercise price</b>	<b>Expiry date</b>
	17,000,000	-	<b>2 cents</b>	<b>30 June 2012</b>
7.8 Issued during quarter				
7.9 Exercised during quarter				-
7.10 Expired during quarter	5,000,000	-		
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

**Compliance statement**

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does /does not\* (~~delete one~~) give a true and fair view of the matters disclosed.

Sign here:



(Company secretary)

Date: .31 January 2011

Print name: Patrick J O'Neill

**Notes**

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 Issued and quoted securities The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 Accounting Standards ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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