



31 March 2014

QUARTERLY ACTIVITIES AND CASH FLOW REPORT

PERIOD ENDED 31 MARCH 2014

Baraka Energy & Resources Limited

Contacts:

Collin Vost

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Directors:

Collin Vost (Executive Chairman)

Justin Vost (Non Executive)

Ray Chang (Non-Executive–Chinese Division)

Company Secretary:

Patrick O'Neill

Issued Capital:

2,225,337,344 Ordinary Shares

Australian Securities Exchange (ASX)

Code: BKP (Ordinary Shares Fully Paid)

Cash (31 March 2014):

\$0.65 million

## March Quarter Activities Report

Baraka Energy & Resources Limited ("Baraka" or "the Company") (ASX:BKP) provides its quarterly activities report for the period ended 31 March 2014.

In January 2014 Baraka announced it disputed the validity of 2014 work programs on EP127 and EP128 (see announcement released on 7 January 2014, and quarterly report released 31 January 2014) with the operator of the permits, Statoil ASA (Statoil).

As stated in those announcements, Baraka gave notice under the Joint Operating Agreement (JOA) for each permit electing not to contribute to the 2014 work programs, while maintaining its claim that the work programs themselves were invalid.

Statoil disputed that Baraka had given proper notice and that the disputed work programs were not subject to arbitration and intended to proceed with cash calls in regards to the disputed work programs.

On 11 March 2014, Statoil ASA, issued default notices based on the alleged failure of Baraka to pay cash calls under the 2014 work program for each permit. These default notices would, if they were valid and the alleged defaults were not rectified, lead to the forfeiture of Baraka's interests in the permits.

The carefully-considered view of Baraka is that our notices of election not to contribute are valid, and therefore the purported notices of default are invalid and unlawful. Baraka also maintains its claim that the work programs for both permits were not valid.

Baraka's board also contends it has sufficient inputs to the dilution process, in the event that, that process is pursued, to retain a large portion if not all of the equity in EP127 without further commitments.

On 20 March 2014 Baraka commenced proceedings in the Supreme Court of Western Australia against Statoil and PetroFrontier Australia Pty Ltd (Petrofrontier), to restrain action on the Default Notices and contest the validity of the 2014 Work Program and Budget.

Baraka had been reluctant to resort to court action, but was left with no alternative after receiving the Default Notices on 11 March 2014, and after numerous attempts to resolve the dispute with Statoil failed.

### Decision of Baraka to dispute the work programs

Baraka disputes that the 2014 proposed work programs for each of EP 127 and EP 128 are valid work programs under each JOA. Although it could be argued by the Operator that the work programs are necessary to satisfy the minimum work commitments under the permits, it was open to the Operator to seek amendments, exemptions and or extensions to delay drilling until further work had been carried out to improve the prospects of exploration success, and or to meet only the minimum work commitments to the NT Government as is normal within the 2014 period and not front end load all of the 2015 commitments.

Baraka is not satisfied, amongst other things, that the proposed work programs are technically or economically prudent, nor that they are reasonable or fair, involving costly drilling in questionable locations, with data collection for the aggregate area of four permits as the principal aim of the programs. Baraka considers that the programs are not in accord with the intention of the parties under either of the JOAs, and are detrimental to the interests of Baraka and its shareholders.

The 2014 proposed work programs as budgeted by the Operator for both permits EP127 and EP128 have a total cost of \$26.6m including the plugging and abandonment of all 3 wells, (including McIntyre 2H for \$1.1m), geological and geophysical evaluation and special studies of \$988,000, exploration administration of \$1,298,000 and parent company overheads of the Operator of \$382,000.

Baraka's 25% of these costs for both permits would be approximately \$6.65m for both permits for the 2014 period.

The breakdown of total costs on an individual permit basis are \$12,554,000 for EP 127 and \$11,288,000 for EP 128 with evaluation, administration and overhead costs of \$2,761,000 spread across both permits

The total Statoil expenditures for 2014 for all combined permits in which Statoil, Petrofrontier and Baraka have an interest, co incidentally meets the minimum expenditure obligations required by Statoil to comply with the "Amended Agreement" with Petrofrontier of some \$50m for 2014. This total expenditure is only met by front end loading or bringing forward of all of Baraka's 2015 work commitments including plugging and abandoning of the McIntyre well, to the NT Government for the 2015 period into the 2014 work program.

#### Update on Results of Dispute and Mediation

Baraka retains 25% working interest in both EP 127 and EP 128, including a 75% undivided working interest in the 75km<sup>2</sup> around the Elkedra-7 well on EP128, and will consider meeting our contributions on EP127 and EP128 when and if required and subject to the settlement of the current dispute. Baraka, Statoil and Petrofrontier have had some 4 hearings and a mediation to date and are hopeful of a final resolution in the near future, although it may still be necessary for a final court hearing on the Injunction set in place by Baraka to protect Baraka's shareholders interests.

Petrofrontier announced on behalf of themselves and Statoil that the first well on EP104 for the entire 2014 program over the boundary from EP127 had been spudded in early April 2014 and should now be nearing completion. Based on Statoil maintaining the current work program Petrofrontier should announce that it has spudded the "OZBETA – 1" well on Baraka's EP127 early May 2014 and the period of drilling should be approximately 28 days. (refer Baraka announcement on the 6<sup>th</sup> January 2014).

#### Iron Sands (Titaniferous Magnetite) "Loan Agreement"

Whilst an Administrator was appointed to the company Baraka has loaned funds to for this project as a result of a series of alleged breaches of the agreement and defaults, it has since

been disclosed that a series of additional breaches of the Corporations Act have been discovered by the Administrator, requiring extensions of the Administration via the courts and has delayed the retirement of the Administrator, while these issues are resolved.

Baraka expects all of these issues to be resolved satisfactorily in the near future and result in a favourable position for Baraka's shareholders in relation to its exposure, albeit with a number of other unresolved issues brought about by the directors of the borrower, which Baraka continues to pursue.

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 the various issues outlined herein.

The investment may very well involve other investment opportunities for Baraka shareholders when the final structure of the unlisted company and ongoing negotiations are resolved, subject to a favourable outcome from the Administration.

Baraka continues to be currently debt free and based on current known expenditures may meet commitments to any amended work program this year, subject to finalisation of any resolution with Statoil and Petrofrontier.

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 2014.

Baraka has extremely low overhead expenses, negligible liabilities and some \$2.6m of current assets which could be realised to add to the current cash position.

Post 31 March, Baraka recovered some \$620,000 in cash from current assets to add to its 31 March 2014 cash of \$647,000.

## Appendix 5B

The Appendix 5B for the quarter ended 31 March 2014 is attached.

### *Forward-Looking Statements*

*This press release may contain forward-looking information that involves substantial known and unknown risks and uncertainties, most of which are beyond the control of Baraka, including, without limitation, statements pertaining to management's future plans and operations. All statements included herein, other than statements of historical fact, are forward-looking information and such information involves various risks and uncertainties. There can be no assurance that such information will prove to be accurate, and actual results and future events could differ materially from those anticipated in such information. Any forward-looking statements are made as of the date of this release and Baraka does not assume any obligation to update or revise them to reflect new events or circumstances.*

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

Baraka Energy & Resources Ltd

ABN

80 112 893 491

Quarter ended ("current quarter")

31 March 2014

#### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter SA'000	Year to date ( 9 months) SA'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(115)	(762)
1.3 Dividends received	(62)	(323)
1.4 Interest and other items of a similar nature received	4	36
1.5 Interest and other costs of finance paid	-	(1)
1.6 Income taxes paid	-	645
1.7 Other (ATO - R&D Tax offset)	-	645
<b>Net Operating Cash Flows</b>	<b>(173)</b>	<b>(405)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets		
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets		
1.10 Loans to other entities	(333)	(1,052)
1.11 Loans repaid by other entities	-	795
1.12 Other (provide details if material)		
<b>Net investing cash flows</b>	<b>(333)</b>	<b>(257)</b>
1.13 <b>Total operating and investing cash flows (carried forward)</b>	<b>(506)</b>	<b>(662)</b>

+ See chapter 19 for defined terms.

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(506)	(662)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.		700
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 (Share issuing costs)	(12)	(12)
	<b>Net financing cash flows</b>	(12)	688
	<b>Net increase (decrease) in cash held</b>	(518)	26
1.20	Cash at beginning of quarter/year to date	1164	621
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	647	647

#### Payments to directors of the entity, associates of the directors, 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	71
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 fees, 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		

+ See chapter 19 for defined terms.

### Estimated cash outflows for next quarter

		SA'000
4.1	Exploration and evaluation	45
4.2	Development	
4.3	Production	
4.4	Administration	91
<b>Total</b>		<b>145</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	117	208
5.2 Deposits at call	530	956
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>647</b>	<b>1164</b>

### Changes in interests in mining tenements and petroleum tenements

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

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+ See chapter 19 for defined terms.

**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 +securities <i>(description)</i>				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+Ordinary securities	2,225,337,344	2,225,337,344		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	+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>			<i>Exercise price</i>	<i>Expiry date</i>
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

## 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 5).
- 2 This statement does /~~does not~~\* (*delete one*) give a true and fair view of the matters disclosed.



Sign here: ..... Date: 30 April 2014.

(Company secretary)

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 and petroleum 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 or petroleum 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 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 Accounting Standards ASX will accept, for example, the use of International Financial Reporting 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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+ See chapter 19 for defined terms.

**Baraka Energy & Resources Ltd**  
**Schedule of Tenements as at 31 March 2014**

Project	Tenement	Nature of Company's Interest
Southern Georgina Basin Northern Territory	EP 127	25%
Southern Georgina Basin Northern Territory	EP 128 <sup>1</sup>	25%

1 including a 75% undivided working interest in the 75kms<sup>2</sup> around the Elkedra-7 well on EP128.

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+ See chapter 19 for defined terms.