BARAKA
ENERGY & RESOURCES LTD

ABN 80 112 893 491

and Controlled Entities

INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2017

DIRECTORS' REPORT

The directors of Baraka Energy & Resources Limited ("Baraka" or the "Company") submit their report for the half year ended 31 December 2017.

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 2017 was $1,205,819 (2016: $140,635).

IRON SANDS

The Company entered into a Streaming Finance arrangement some years ago with an unlisted Australian company, who controlled an Iron Sands Project in the Philippines.

The project area is made up of 2 exploration permits contained within a Philippine company, 100% controlled by the company Baraka is funding, and is the prime security. A Seismic program has been completed over the 10,000 hectare area (100,000,000 square metres) which indicates 3 layers of material, over which a considerable amount of coring has been completed.

Magnetite Sands (Iron Sands) traditionally are made up of primarily Iron, Titanium and Vanadium, and this project does not appear to vary from those standards. The Vanadium content has now become more interesting in any future testing because of the rise of the new Vanadium Redox Flow Battery, and its influence on Battery Storage in competition with Lithium.

Shortly after entering into the agreement which was a secured, interest bearing loan agreement with a 75% profit distribution, Baraka was advised that litigation had commenced in the Philippines by the original vendors who were unhappy with the directors of the company Baraka was funding. Those directors were consequently removed from the Australian company and 2 directors of Baraka appointed to the Philippine company to add an additional layer of security for the streaming loan facility.

Baraka was informed that the defence of these legal actions was successful with the Supreme Court ruling in favour of the company being funded by Baraka, with no appeal process available. This now allows Baraka to work with the beneficial owners we have funded to renegotiate the original terms of the vendor agreement, for more favourable terms and this process continues to be ongoing.

The work done to date and the success in the legal action will now make discussions with any farm in partners or other interested parties considerably more favourable.

SOUTHERN GEORGINA BASIN

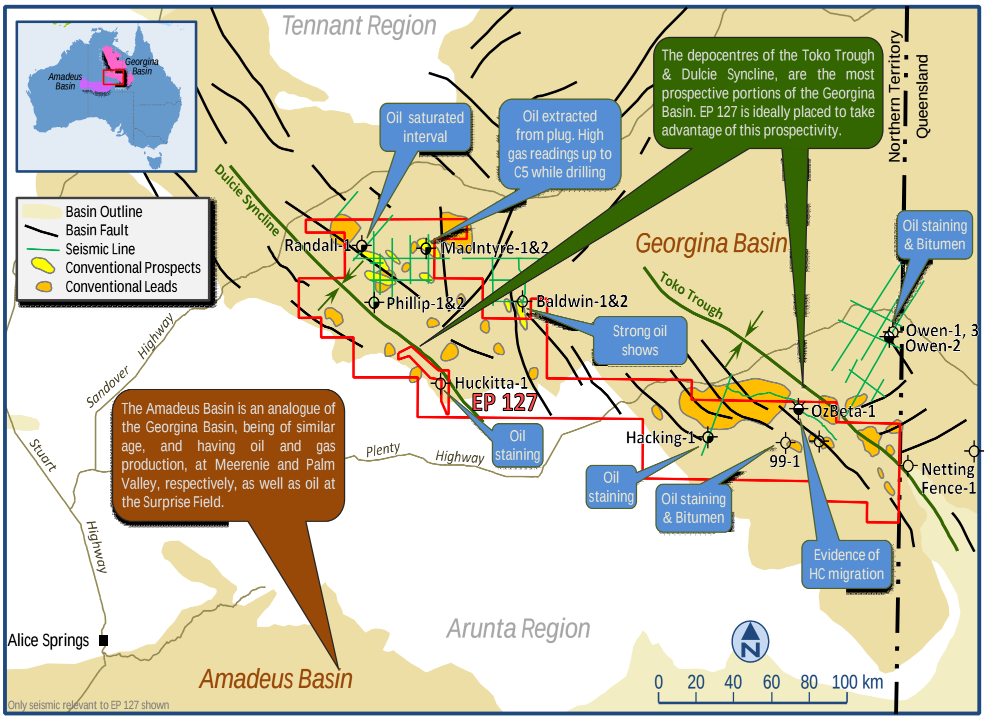
Baraka's 100% owned permit EP127 is in the Southern Georgina Basin Northern Territory, often referred to as being one of the more attractive shale oil and gas basins in Australia.

Due to the fracking moratorium in the Northern Territory, on 4 September 2017, Baraka requested an extension to the exemption from partial relinquishment condition for the Company's Exploration Permit EP 127 in the Georgina Basin, Northern Territory, Australia (EP127). The extension was granted by the Northern Territory's Department for Primary Industry and Resources (Department) on 13 February 2018.

Further, on 5 September 2017 Baraka requested a suspension and extension to the Term 2 Year 2 work program conditions for EP127. The suspension and extension was granted by the Department on 13 February 2018.

The planned Resource Imaging Technology (RIT) survey utilising advance Seismo-Electric (SE) technology has been put on hold until further notice. Resource Imaging Technology (RIT) has only recently been introduced to Australia in order to better define the hydrocarbon presence within prospects and leads.

The potential for gas in the Northern Territory is well publicised and the current political charged discussions on the potential shortages of gas and the gas prices in the Eastern States just ads further interest in the Northern Territory potential. This is certainly of interest to Baraka with its approx 4 million acres (approx 16,000 square kilometres) at its EP127 in the Northern Territory which, based on the results from the 2011 drilling campaign, has gas potential. However, all potential sits idle until the Northern Territory fracking moratorium is lifted. This has significant impact on Baraka finding a potential farm-in partner for EP127.



Whilst the last few years have been very trying for management and the shareholders, we feel that there is however a more positive attitude returning to commodities and the junior end of the market in particular. The number of approaches we receive are increasing but unfortunately not the quality as of yet. But this can change very quickly when less attractive companies are exhausted and or we find an asset suitable to the quality of our structure and financial position.

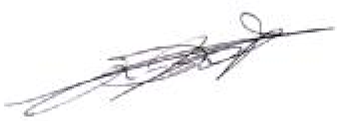
On 4 August 2017 the Company lodged an entitlement issue prospectus to all existing shareholders on a two (2) for three (3) entitlement to raise $1,483,558. The offer closed on 5 September 2017 and on 12 September 2017, the Company issued 119,809,254 shares to shareholders that participated in the offer and the shortfall was placed with sophisticated investors as the Company raised $119,798 before costs.

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 2017/2018 financial year.

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, 15 March 2018

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 2017 interim financial statements; and

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

Graham Swan FCA (Lead auditor)

Rothsay Auditing

Dated 15 March 2018

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	Consolidated 31 December 2017 $	Consolidated 30 June 2017 $
ASSETS			
Current Assets			
Cash and cash equivalents	4	225,380	167,607
Other assets		4,318,936	5,417,600
Other financial assets		92,103	132,747
TOTAL CURRENT ASSETS		4,636,419	5,717,954
NON-CURRENT ASSETS			
Exploration and evaluation expenditure	5	6,953,745	6,928,879
TOTAL NON-CURRENT ASSETS		6,953,745	6,928,879
TOTAL ASSETS		11,590,164	12,646,833
CURRENT LIABILITIES			
Trade and other payables		251,064	171,503
TOTAL CURRENT LIABILITIES		251,064	171,503
TOTAL LIABILITIES		251,064	171,503
NET ASSETS		11,339,100	12,475,330
EQUITY			
Issued capital	6	54,321,537	54,251,948
Accumulated losses		(42,982,437)	(41,776,618)
TOTAL EQUITY		11,339,100	12,475,330

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 2017

	Note	Consolidated 31 December 2017 $	31 December 2016 $
Cash flows from operating activities			
Payments to suppliers and employees		(207,507)	(191,452)
Interest received		246	1,980
Interest paid		(48)	(2,632)
Net cash flows used in operating activities		(207,309)	(192,104)
Cash flows from investing activities			
Payments for financial assets		-	(6,060)
Proceeds from sale of financial assets		606,008	4,890
Payments for exploration and evaluation expenditure		(24,866)	(102,450)
Loans to other entities		(385,649)	(521,108)
Repayment of loans to other entities		-	500,000
Net cash flows used in investing activities		195,493	(124,728)
Cash flows from financing activities			
Proceeds from issue of shares		119,798	-
Payments for share issue costs		(50,209)	-
Net cash flows from financing activities		69,589	-
Net increase/(decrease) in cash and cash equivalents		57,773	(316,832)
Cash at the beginning of the period		167,607	868,390
Cash and cash equivalents at the end of the period	4	225,380	551,558

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 2017

	Attributable to equity holders of the parent Consolidated		
	Issued Capital $	Accumulated Loss $	Total Equity $
CONSOLIDATED			
As at 1 July 2016	54,251,948	(41,450,254)	12,801,694
Profit for the period	-	(140,635)	(140,635)
	54,251,948	(41,590,889)	12,661,059
Equity Transactions			
Issue of share capital	-	-	-
Share issue costs	-	-	-
As at 31 December 2016	54,251,948	(41,590,889)	12,661,059
CONSOLIDATED			
As at 1 July 2017	54,251,948	(41,776,618)	12,801,694
Loss for the period	-	(1,205,819)	(1,205,819)
		(42,982,437)	11,269,511
Equity Transactions			
Issue of share capital	119,798	-	119,798
Share issue costs	(50,209)	-	(50,209)
As at 31 December 2017	54,321,537	(42,982,437)	11,339,100

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 2017

1. Basis of Preparation

This general purpose financial report for the interim half-year reporting period ended 31 December 2017 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 2017 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 2017, 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 2017.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

Accounting Policies (continues)

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 group has a loss for the period of $1,205,819 and a surplus of net assets of $11,339,100.

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 $225,380; and
2. Current cash resources are considered more than adequate to fund the consolidated entity's immediate operating and exploration activities.

The directors are considering raising further equity capital through a share placement. Also, the Group has current assets, being held for sale investments, which could be sold to meet current financial obligations.

The directors continued to seek opportunities for the Group and the Board of directors have a reasonable expectation that the group and the company have adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the interim report and accounts.

Notwithstanding these points the directors have concluded there is a material uncertainty that casts doubt upon the Group's ability to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

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 capitalised 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 2017

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 2017 $	Consolidated 31 December 2016 $
(a)Revenue		
Bank interest	246	1,980
Other	-	143,478
(b) Other gain (losses)		
Loss on sale of investment	(988,403)	(110)
(c) Other expenses		
Occupancy expenses	28,874	24,314
Technical consultants and contracts	125,200	120,800
Administration expenses	106,210	95,013

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 2017 $	Consolidated 30 June 2016 $
Cash at bank and in hand	225,380	167,607
	225,380	167,607

5. EXPLORATION AND EVALUATION EXPENDITURE

Exploration and evaluation costs carried forward in respect of exploration areas of interest	6,953,745	6,928,879
	6,953,745	6,928,879
Opening balance	6,928,879	6,776,738
Additions	24,866	152,141
Impairment	-	-
Closing balance	6,953,745	6,928,879

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 2017

6. ISSUED AND PAID UP CAPITAL

	Consolidated 31 December 2017 $	Consolidated 30 June 2017 $
2,345,146,598 (30 June 2017: 2,225,337,344) Fully paid ordinary shares		
Opening balance	54,251,948	54,251,948
Issue 12 September 2017	119,798	
Transaction costs	(50,209)	
Closing balance	54,321,537	54,251,948

	Consolidated 31 December 2017 No	Consolidated 30 June 2017 No
Opening balance	2,225,337,344	2,225,337,344
Issue 12 September 2017	119,809,254	
Closing balance	2,345,146,598	2,225,337,344

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders' meetings, each ordinary share is entitled to one vote when a poll is called; otherwise each shareholder has one vote on a show of hands.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

7. SEGMENT REPORTING (continues)

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 2017 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.

On 4 September 2017, Baraka requested an extension to the exemption from partial relinquishment condition for the Company's Exploration Permit EP 127 in the Georgina Basin, Northern Territory, Australia (EP127). The extension was granted by the Northern Territory's Department for Primary Industry and Resources (Department) on 13 February 2018.

Further, on 5 September 2017 Baraka requested a suspension and extension to the Term 2 Year 2 work program conditions for EP127. The suspension and extension was granted by the Department on 13 February 2018.

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 half year interim 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 2017 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, 15 March 2018

ROTHSAY

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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 2017.

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 2017 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 2017 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*.

Emphasis of matter - material uncertainty related to going concern

We draw attention to Note 1 in the financial statements which outlines the consideration of future capital raisings and the sale of current assets and wherein it is stated notwithstanding these points that the directors have concluded there is a material uncertainty that casts doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Rothsay

Rothsay Auditing

GRSwan

Graham Swan
Partner

Dated 15 March 2018

Chartered Accountants