31 January 2014

QUARTERLY ACTIVITIES AND CASH FLOW REPORT

PERIOD ENDED 31 DECEMBER 2013

Baraka Energy & Resources Limited

Contacts:	Issued Capital:
Collin Vost	2,225,337,344 Ordinary Shares
Telephone: 08 6436 2350	
Directors:	Australian Securities Exchange (ASX)
Collin Vost (Executive Chairman)	Code: BKP (Ordinary Shares Fully Paid)
Justin Vost (Non Executive)	Frankfurt Stock Exchange (FWB)
Ray Chang (Non-Executive–Chinese Division)	Code: RBD (Ordinary Shares Fully Paid)
Company Secretary:	Cash (31 December 2013):
Patrick O'Neill	$1.15 million

December Quarter Activities Report

Baraka Energy & Resources Limited ("Baraka" or 'the Company") (ASX:BKP) (FWB:RBD) provides its quarterly activities report for the period ended 31 December 2013.

In November and December Baraka executives attended meetings with representatives of Statoil ASA (Statoil) (OSE:STL, NYSE:STO) in Adelaide, together with representatives of PetroFrontier Corp (PFC) (TSX-V:PFC), to discuss, among other things, Statoil's proposed work program for the joint venture for the coming year, the results of the 2013 seismic work program and their role as Operator of each Joint Operation Agreement (JOA).

Statoil is reported as being the 13th biggest oil and gas company in the world and operates in 30 countries, including the famous shale oil and gas area of the Bakken in Canada, one of the most prolific oil producing areas of North America.

At the December meeting, the Operating Committee (OCM) under each JOA approved the 2014 work programs by a majority vote, with Baraka abstaining. Baraka has issued a notice disputing the validity of the work programs as not valid work programs under each JOA. Baraka has given notice to the Operator and PFC that it will not contribute to the cost and that Baraka elects, should the 2014 work programs be valid, to dilute its 25% participating interest in each JOA.

The extent of any dilution may be nil if, as Baraka maintains, the relevant 2014 work programs are not valid and certain other expenditures on McIntyre 2H could be incorporated. However, it would remain to be resolved what revised 2014 work programs might then be proposed by the Operator.

If the 2014 work programs are valid, then Baraka's participating interest at the end of the programs will be determined by a formula that is the same in each JOA.

Baraka has sought expert accounting advice on the likely outcome of application of the dilution formula if the work programs are held to be valid, including potential incorporation of work on McIntyre 2H, and is awaiting the results of these discussions. Should this inclusion prove successful it may also allow Baraka to pursue other possible actions for the benefit of its shareholders

Baraka has taken these steps so as not to risk any breach of the JOA's. If the work programs are valid, Baraka may remain a party to the JOAs with a reduced participating interest.

The disputed 2014 work programs proposed by the Operators are outlined below with Baraka's comments for the information of the shareholders.

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EP127 “OzBeta - 1”

A vertical test well is proposed to be drilled in approximately May of 2014 depending on weather conditions on this permit, close to the border of EP104, held by the Operator 80% and PFC 20%, and would take approximately 28 days, to an approximate depth of 1300m. The purpose of this well would be to test 3 potential pay zones within the structures and formations in that area and particularly targeting a 40-50m section expected within the Thorntonian Limestone formation. This same formation produced the 32m intersection in Owen 3 on EP104 seeped oil and showed extensive florescence throughout. This area of EP127 is close to or incorporated in the Toko Syncline on the South Eastern border of EP127 and the permit stops on the Queensland border. A well of similar status is planned to be drilled just over the northern border of EP127 in EP104 by the Operator and PFC, and that one of the possible outcomes would be to “de-risk the south eastern corner of licence EP104” in which Baraka has no economic interest.

EP128 “OzDelta – 1”

Is the second vertical test well and is proposed to be drilled in approximately July of 2014, once again close to the border of EP103, held by the Operator 80% and PFC 20%, This test well will be drilled down to approximately 900m and is not considered to have any potential for the Thorntonian formation, but possibly in an oil window. A well of similar status is to be drilled by the Operator and PFC close to and over the southern boundary of EP128 into EP103 controlled 80% by the Operator and 20% PFC. The target of interest is the Arthur Creek Hot Shale and possibly a section above the shale.

EP128 “OzEpsilon – 1”

Is the third vertical test well and is proposed to be drilled in approximately August 2014, down to approximately 800m and is in the North East section of EP128,closer to EP(A)132. This test well is to examine the target formation to the North of the licences and possibly define the basin to the North and any oil window, as well as test for maturity.

Subject to the success of the vertical well on EP127 to be drilled in May of 2014, the Operator proposes to return to that well and carry out a Completion and Test of “OzBeta-1” in September 2014, after finalizing the vertical “OzDelta-1” and “OzEpsilon-1” test wells in July and August of 2014.

The Operator then proposes to “Plug & Abandon” McIntyre 2H in November 2014. The apparent reasoning being that McIntyre 2H fractures (Fraccing) hit pre existing waterways with formation water containing H2S and there is no reason to believe that lower permeability hydrocarbon layers will start producing when high permeable water bearing fractures have been activated despite McIntyre 2H producing some of the highest quality gas, and wet gas readings, from the previous drilling program. The Operator has previously stated their goal is Oil and or Wet Gas within the basin as a priority.

Baraka requested that the “Hagen Member” contained in the south western area of EP127 and just north of the Dulcie Syncline, written up by Ryder Scott as having substantial potential for conventional targets, be considered in the 2014 program, but this was rejected by the Operator because of poor seismic testing, (which was carried out many years ago), top seal and migration risks and because of faulting in the area.

Both EP127 and EP128

The work programs for both EP127 and EP128 have been developed by the Operator as part of an overall campaign for the exploration of the entire area of EP103, EP104, EP127 and EP128 and the factors governing the exploration of EP127 and EP128 have been subsumed by considerations that apply to the entirety of all four permits. All four permits straddle a huge area of 50,000 square kilometres. Baraka recommends that each of EP127 and EP128 be evaluated on their respective merits as the JOAs require. Baraka has no economic interest in EP103 and EP104.

It should also be noted that all wells on EP127 and EP128 are currently planned to be plugged and abandoned on completion, as all wells are only for data collection and testing by the Operator to consider future exploration programs in the basin as a whole.

In addition it should be noted that the Operator has brought forward the minimum permit work commitments from 2015 for both EP127 and EP128 into the 2014 work program, as well as the plugging and abandoning of McIntyre 2H, which is not required until the end of the permit expiration. Baraka has been advised by the Operator that this is justifiable for technical and economical reasons, principally to reduce the costs of drilling and completion contractors for the entire program and all permits including EP103 and EP104.

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.

Baraka is not satisfied 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

Settlement of the disputes

Statoil has approached Baraka to discuss and resolve the issues, and Baraka executives attended the offices of Statoil to amicably discuss the potential resolution, and ongoing discussions are currently underway. Both parties have expressed a view to avoid legal confrontations and expenses where possible and Baraka hopes Statoil will consider the very detailed case Baraka have put to them on behalf of their shareholders.

Baraka will remain entitled to participate in any new exploration or other wells on any diluted basis and will keep the market fully informed in regards to the progress of all issues.

Baraka retains 25% working interest in both EP 127 and EP 128, including a 75% undivided working interest in the 75km² around the Elkedra-7 well on EP128, and will meet our contributions on EP127 and EP128 when and if required.

Iron Sands Investment (Titaniferous Magnetite)

Baraka entered into a Commercial Secured Loan Agreement in September 2012, including a 7.5% interest payments, and a 70% profit sharing arrangement with an unlisted public company, with an iron sands venture in the Philippines. Details of which have been released in two previous announcements. 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 being achieved.

As a result of Baraka's assistance, the permits controlled by the unlisted public company have been renewed for a further two years and further exploration of the highly potential areas are being pursued, adding substantial value to the underlying assets of the loan agreement, subject to resolution of some disputes.

Whilst disputes were encountered with the Directors of this company and an Administrator was appointed in September 2013, Baraka is hopeful that this Administration will be concluded in the next 2 quarters subject to the Administrators pursuing a number of concerning issues regarding the administration of the company and a number of breaches of the Corporations Act.

One of the huge benefits of this iron sands project, which is located in a shallow offshore area, is that the material has already been ground down to fine material and no crushing, road transport, rail or other major infrastructure costs are involved, and only low cost dredging and a magnetic separation process is required to produce high margin, low capital and production cost material.

The project compares extremely favourably with other listed and unlisted projects in New Zealand, Fiji, and especially now Indonesia, because of their recent export restrictions on bulk mineral products. The anticipated low CAPEX requirements, shallow depth of material, low cost labour, multi work shift extraction potential, operating expenses and extreme closeness to China for shipping times and cost, making this project a very exciting venture considering current iron ore prices.

Current information indicates an exploration plan and budget considerably lower than normal exploration programs to produce a mining permit, and in particular considerably lower CAPEX and earlier production times, based on outsourcing of Contract Mining and other services currently available. Baraka may also sell down its investment in this venture as previously outlined and incorporated in the agreement.

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.

Baraka shareholders currently have two investments to follow over the balance of 2014 and onwards.

Baraka continues to be debt free and based on current known expenditure can meet its full commitments to the current work program this year, subject to finalisation of any resolution with Statoil.

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 $2.5m of current assets which could be realised in the next two quarters to add to the current cash position.

Appendix 5B

The Appendix 5B for the quarter ended 31 December 2013 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.

Rule 5.5

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	Quarter ended ("current quarter")
80 112 893 491	31 December 2013

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (.6.. months) $A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(202)	(658)
	(b) development		
	(c) production		
	(d) administration	(119)	(250)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	3	31
1.5	Interest and other costs of finance paid	-	(1)
1.6	Income taxes paid		
1.7	Other (ATO – R&D Tax offset)	645	645
	Net Operating Cash Flows	327	(233)
	Cash flows related to investing activities		
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	(500)	(730)
1.11	Loans repaid by other entities	-	795
1.12	Other (provide details if material)		
	Net investing cash flows	(499)	65
1.13	Total operating and investing cash flows (carried forward)	(173)	(168)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(173)	(168)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	700	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 (provide details if material)		
	Net financing cash flows	700	700
	Net increase (decrease) in cash held	527	532
1.20	Cash at beginning of quarter/year to date	626	621
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	1153	1153

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

		Current quarter $A'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

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

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available $A’000	Amount used $A’000
3.1	Loan facilities		
3.2	Credit standby arrangements		

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	50
4.2	Development	
4.3	Production	
4.4	Administration	90
	Total	140

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 $A'000	Previous quarter $A'000
5.1	Cash on hand and at bank	197	62
5.2	Deposits at call	956	564
5.3	Bank overdraft		
5.4	Other (provide details)		
	Total: cash at end of quarter (item 1.22)	1153	626

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				

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 ***(description)***				
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	149,682,298			
7.5	+Convertible debt securities (***description)***				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options ***(description and conversion factor)***			***Exercise price***	***Expiry date***
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures ***(totals only)***				
7.12	Unsecured notes ***(totals only)***				

+ 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: .31 January 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.

Baraka Energy & Resources Ltd
Schedule of Tenements as at 31 December 2013

Project	Tenement	Nature of Company's Interest
Southern Georgina Basin Northern Territory	EP 127	25%
Southern Georgina Basin Northern Territory	EP 128[1]	25%

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

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