

Sefton Resources Inc
Report and Financial Statements
31 January 2016

Sefton Resources Inc
Report and accounts
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Sefton Resources Inc
Income Statement
for the year ended 31 January 2016

	Notes	2016 \$	2015 \$
Administrative expenses		(1,683,178)	(1,111,704)
Other operating income		-	726,769
Operating loss		<u>(1,683,178)</u>	<u>(384,935)</u>
Gain on revaluation of investments		9,794	-
Share based payments		-	(176,224)
Interest receivable		148	-
Interest payable	3	(6,584)	(82,471)
Loss on ordinary activities before taxation and exceptional items		<u>(1,679,820)</u>	<u>(643,630)</u>
Exceptional items		400,000	8,035,879
Loss on ordinary activities before taxation		<u>(2,079,820)</u>	<u>(8,679,509)</u>
Tax on loss on ordinary activities		-	-
Loss for the financial year		<u>(2,079,820)</u>	<u>(8,679,509)</u>

Sefton Resources Inc
Statement of comprehensive income
for the year ended 31 January 2016

	Notes	2016 \$	2015 \$
Loss for the financial year		(2,079,820)	(8,679,509)
Other comprehensive income			
Total comprehensive income for the year		<u>(2,079,820)</u>	<u>(8,679,509)</u>

Sefton Resources Inc
Statement of Financial Position
as at 31 January 2016

	Notes	2016 \$	2015 \$
Fixed assets			
Investment in joint venture	5	320,769	-
Investments	7	180,000	180,000
		<u>500,769</u>	<u>180,000</u>
Current assets			
Debtors	8	8,967,461	7,964,027
Cash at bank and in hand		244,785	26,673
		<u>9,212,246</u>	<u>7,990,700</u>
Creditors: amounts falling due within one year			
	9	(1,286,261)	(1,629,148)
Net current assets		<u>7,925,985</u>	<u>6,361,552</u>
Net assets		<u>8,426,754</u>	<u>6,541,552</u>
Capital and reserves			
Called up share capital	11	28,549,080	25,287,942
Profit and loss account	12	(20,122,326)	(18,746,390)
Total equity		<u>8,426,754</u>	<u>6,541,552</u>

Daniel Levi
Director
Approved by the board on 16 April 2018

Sefton Resources Inc
Statement of Changes in Equity
for the year ended 31 January 2016

	Share capital	Share premium	Other reserves	Profit and loss account	Total
	\$	\$	\$	\$	\$
At 1 January 2014	24,668,425	-	-	(10,066,881)	14,601,544
Loss for the period				(8,679,509)	(8,679,509)
Shares issued	619,517	-			619,517
At 31 January 2015	<u>25,287,942</u>	<u>-</u>	<u>-</u>	<u>(18,746,390)</u>	<u>6,541,552</u>
At 1 February 2015	25,287,942	-	-	(18,042,506)	7,245,436
Loss for the financial year				(2,079,820)	(2,079,820)
Shares issued	3,261,138	-			3,261,138
At 31 January 2016	<u>28,549,080</u>	<u>-</u>	<u>-</u>	<u>(20,122,326)</u>	<u>8,426,754</u>

Sefton Resources Inc
Notes to the Accounts
for the year ended 31 January 2016

1 Summary of significant accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention.

Turnover

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes. Turnover includes revenue earned from the sale of goods and from the rendering of services. Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have transferred to the buyer. Turnover from the rendering of services is recognised by reference to the stage of completion of the contract. The stage of completion of a contract is measured by comparing the costs incurred for work performed to date to the total estimated contract costs.

Tangible fixed assets

Tangible fixed assets are measured at cost less accumulative depreciation and any accumulative impairment losses. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Equipment and vehicle costs	2 to 3 years straight line
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Investments

Investments in subsidiaries, associates and joint ventures are measured at cost less any accumulated impairment losses. Listed investments are measured at fair value. Unlisted investments are measured at fair value unless the value cannot be measured reliably, in which case they are measured at cost less any accumulated impairment losses. Changes in fair value are included in the profit and loss account.

Debtors

Short term debtors are measured at transaction price (which is usually the invoice price), less any impairment losses for bad and doubtful debts. Loans and other financial assets are initially recognised at transaction price including any transaction costs and subsequently measured at amortised cost determined using the effective interest method, less any impairment losses for bad and doubtful debts.

Creditors

Short term creditors are measured at transaction price (which is usually the invoice price). Loans and other financial liabilities are initially recognised at transaction price net of any transaction costs and subsequently measured at amortised cost determined using the effective interest method.

Sefton Resources Inc
Notes to the Accounts
for the year ended 31 January 2016

Taxation

A current tax liability is recognised for the tax payable on the taxable profit of the current and past periods. A current tax asset is recognised in respect of a tax loss that can be carried back to recover tax paid in a previous period. Deferred tax is recognised in respect of all timing differences between the recognition of income and expenses in the financial statements and their inclusion in tax assessments. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference, except for revalued land and investment property where the tax rate that applies to the sale of the asset is used. Current and deferred tax assets and liabilities are not discounted.

Provisions

Provisions (ie liabilities of uncertain timing or amount) are recognised when there is an obligation at the reporting date as a result of a past event, it is probable that economic benefit will be transferred to settle the obligation and the amount of the obligation can be estimated reliably.

Foreign currency translation

Transactions in foreign currencies are initially recognised at the rate of exchange ruling at the date of the transaction.

At the end of each reporting period foreign currency monetary items are translated at the closing rate of exchange. Non-monetary items that are measured at historical cost are translated at the rate ruling at the date of the transaction. All differences are charged to profit or loss.

Leased assets

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases. The rights of use and obligations under finance leases are initially recognised as assets and liabilities at amounts equal to the fair value of the leased assets or, if lower, the present value of the minimum lease payments. Minimum lease payments are apportioned between the finance charge and the reduction in the outstanding liability using the effective interest rate method. The finance charge is allocated to each period during the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability. Leased assets are depreciated in accordance with the company's policy for tangible fixed assets. If there is no reasonable certainty that ownership will be obtained at the end of the lease term, the asset is depreciated over the lower of the lease term and its useful life. Operating lease payments are recognised as an expense on a straight line basis over the lease term.

Employment benefits

Provision is made in the financial statements for all employee benefits. The company's contributions to defined contribution pension plans are charged to profit or loss in the period to which the contributions relate. The company provides for long-term retirement obligations for certain employees. These provisions are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

Sefton Resources Inc
Notes to the Accounts
for the year ended 31 January 2016

Share-based payment

Where share options and warrants have been granted to employees, consultants, directors and suppliers, IFRS2 has been applied whereby the fair value of the options is measured at the grant date and spread over the period during which the counterparties become entitled to the options. A Black Scholes options valuation model is used to assess the fair value, taking into account the terms and conditions attached to the options. The fair value of goods and services received are measured by reference to the fair value of options.

2 Staff costs	2016	2015
	\$	\$
Wages and salaries	525,503	293,270
Social security costs	31,317	-
Other pension costs	2,982	28,400
	<u>559,802</u>	<u>321,670</u>
3 Finance costs	2016	2015
	\$	\$
Interest on notes payable	-	50,726
Share warrant expense recognised as a finance charge	-	23,361
Bank interest	-	1,767
Other	6,584	6,617
	<u>6,584</u>	<u>82,471</u>

4 Exceptional item

Loss on discontinued operations

At 31 January 2015, all of the company's operating activities were reclassified as discontinued as a result of the sale of TEG US and the decision made prior to the 31st January 2015 to dispose of TEG MidContinent and TEG Transmission resulting in these companies being classified as held for sale.

Release of cross guarantee

On 18 March 2015, a Sixth Amendment to the Forbearance Agreement ("Sixth Amendment") was entered into amongst Sefton, TEG USA, TEG MidContinent, Hawker Energy LLC and the Bank of the West ('BOTW'). Under the Sixth Amendment, the BOTW released Sefton and TEG MidContinent from all respective obligations under the Credit Agreement (other than the surviving obligations in respect of indemnification) and removed Sefton and TEG MidContinent as Borrowers under the Credit Agreement.

Sefton Resources Inc
Notes to the Accounts
for the year ended 31 January 2016

As and in consideration of that release, the BOTW was (i) paid \$400,000 by Sefton, which was applied against the amount outstanding under the Loan as well as an additional \$15,000 paid by Sefton to cover the BOTW's lawyers fees, (ii) delivered a Collateral Assignment of Note, executed by Sefton in favour of BOTW and acknowledged and agreed to] by Hawker ("Collateral Assignment"), collaterally assigning to BOTW, to secure all obligations of Borrowers under the Credit Agreement, a Promissory Note, dated 18 March 2015 in the principal amount of \$400,000, issued by Hawker in favour of Sefton (the "Hawker Note"), and (iii) delivered the original Hawker Note. In addition, under the terms of the Sixth Amendment, Sefton agreed to return to Hawker for cancellation (a) its Warrant to purchase up to an additional 5,000,000 shares of Hawker common stock for \$0.25 per share (which was issued as part of Hawker's acquisition of TEG USA), and (b) 1,500,000 shares of Hawker common stock. All funds were transferred and the transaction was settled by the 20th March 2015.

	2016	2015
	\$	\$
Loss on discontinued operations	-	8,035,879
Release of cross guarantee	(400,000)	-
	<u>(400,000)</u>	<u>8,035,879</u>

5 Investment in joint venture **\$**

Cost	
Additions	320,769
At 31 January 2016	<u>320,769</u>
Amortisation	
At 31 January 2016	<u>-</u>
Carrying amount	
At 31 January 2016	<u>320,769</u>

On 25 June 2015, the Company entered into a Development Agreement with UTAS Petroleum – a consultancy company owned by Rob Shepherd. Under the terms of the Development Agreement, the Company made an advanced payment under commercial terms of £500,000 to UTAS to allow the Joint Venture to progress the due diligence and possible funding arrangements for certain oil and gas properties in Indonesia which have been identified as potential target assets.

Sefton Resources Inc
Notes to the Accounts
for the year ended 31 January 2016

6 Tangible fixed assets

	Plant and machinery	Fixtures, fittings, tools and equipment	Total
	<i>At cost</i>	<i>At cost</i>	
	\$	\$	\$
Cost or valuation			
At 1 February 2015	148,172	53,452	201,624
At 31 January 2016	<u>148,172</u>	<u>53,452</u>	<u>201,624</u>
Depreciation			
At 1 February 2015	148,172	53,452	201,624
At 31 January 2016	<u>148,172</u>	<u>53,452</u>	<u>201,624</u>
Carrying amount			
At 31 January 2016	<u>-</u>	<u>-</u>	<u>-</u>

7 Investments

	Other investments
	\$
Cost	
At 1 February 2015	180,000
At 31 January 2016	<u>180,000</u>

Investments represent shares and share warrants in Hawker Energy LLC received in consideration for the disposal of TEG USA.

8 Debtors

	2016	2015
	\$	\$
Amounts owed by group undertakings and undertakings in which the company has a participating interest	8,029,848	7,839,789
Other debtors	591,230	-
Prepayments and accrued income	11,438	124,238
Amounts owed by joint ventures	334,945	-
	<u>8,967,461</u>	<u>7,964,027</u>

Sefton Resources Inc
Notes to the Accounts
for the year ended 31 January 2016

9 Creditors: amounts falling due within one year	2016	2015
	\$	\$
Trade creditors	178,899	581,275
Other taxes and social security costs	407,379	-
Other creditors	144,664	977,548
Accruals and deferred income	555,319	70,325
	<u>1,286,261</u>	<u>1,629,148</u>

10 Loans	2016	2015
	\$	\$
Loans wholly repayable within one year:		
Note payable	<u>-</u>	<u>129,000</u>

A total of \$129,000 of notes payable with a coupon of 10% was originally issued on 1 April 2012 and the due date extended to 31 March 2015. The notes and outstanding interest were repaid in full on 31 March 2015.

11 Share capital	Nominal value	2016 Number	2016 \$	2015 \$
Allotted, called up and fully paid:				
Ordinary shares	No par value	4,052,982,033	<u>28,549,080</u>	<u>25,287,942</u>

Allotments during the year ended 31st January 2016:

<u>Description</u>	<u>Date</u>	<u>Price Per Share</u>	<u>Shares Issued</u>
Placing of shares	24/02/2015	£0.00055	1,636,363,636
Shares issued in lieu of payments	24/02/2015	£0.00055	4,918,857
Exercise of share warrants	28/04/2015	£0.00010	57,409,091
Shares issued in lieu of payments	08/05/2015	£0.00055	13,636,364
Exercise of share warrants	29/05/2015	£0.00010	24,409,091
Placing of shares	16/06/2015	£0.00065	1,230,000,000
Placing of shares	22/06/2015	£0.00065	16,600,499
			<u><u>2,983,337,538</u></u>

Share-based payments

The following outlines share-based payment expenses in relation to share options for the year ended 31st January 2016 and for the 13 month period ended 31st January 2015:

	2016	2015
	\$	\$
Share-based payment expenses	<u>-</u>	<u>176,224</u>
	<u>-</u>	<u>176,224</u>

Sefton Resources Inc
Notes to the Accounts
for the year ended 31 January 2016

Share option exercise prices are set in sterling and have been converted to US dollars at the respective year end exchange rates.

At 31st January 2016, the company's former officers and directors held the following options:

<u>Officer Or Director</u>	<u>No. of options held</u>	<u>Expiration date</u>	<u>Exercise price</u>	<u>Average exercise price</u>
K Morris	4,000,000	07/05/2018	£0.00625	£0.00625
T Milne	4,000,000	07/05/2018	£0.00625	£0.00625
M Smith	8,000,000	26/9/2021 -	£0.00625 -	£0.1406
	<u>16,000,000</u>			

At 31st January 2015, the company's officers and directors held the following options:

<u>Officer Or Director</u>	<u>No. of options held</u>	<u>Expiration date</u>	<u>Exercise price</u>	<u>Average exercise price</u>
K Morris	4,000,000	07/05/2018	£0.00625	£0.00625
T Milne	4,000,000	07/05/2018	£0.00625	£0.00625
		26/9/2021 -	£0.00625 -	
M Smith	8,000,000	11/11/2021	£0.035	£0.1406
	<u>16,000,000</u>			

12 Profit and loss account

	2016	2015
	\$	\$
At 1 February	(18,042,506)	(10,066,881)
Loss for the financial year	(2,079,820)	(8,679,509)
At 31 January	<u>(20,122,326)</u>	<u>(18,746,390)</u>

13 Other financial commitments

Total future minimum lease payments under non-cancellable operating leases:

	Land and buildings	Land and buildings	Other	Other
	2016	2015	2016	2015
	\$	\$	\$	\$
Falling due: within one year	<u>-</u>	<u>4,000</u>	<u>-</u>	<u>4,000</u>

Sefton Resources Inc
Notes to the Accounts
for the year ended 31 January 2016

14 Contingent liabilities

On 14th May 2015 a claim was filed in the district court of Denver by the former Chairman, James Ellerton against the company, two of its then current directors, and a former director which outlined unspecified damages in connection with his resignation from the Board and the termination of the consulting contract with C&J Resources, Inc. ("C&J"). These matters have post the 2016 accounts been settled in favour of Sefton.

Ellerton's claims were all found to be without merit and dismissed by the court. Furthermore, the company has a suite of actions against Mr Ellerton and C&J Resources currently under action to recover monies awarded to the company.

15 Presentation currency

The financial statements are presented in US Dollars.

16 Legal form of entity and country of incorporation

Sefton Resources Inc is a private company limited by shares and incorporated in British Virgin Islands.

17 Principal place of business

The address of the company's principal place of business and registered office is:

Craigmuir Chambers
P O Box 71
Road Town
Tortola
British Virgin Islands

Sefton Resources Inc
Detailed profit and loss account
for the year ended 31 January 2016

This schedule does not form part of the statutory accounts

	2016	2015
	\$	\$
Administrative expenses	(1,683,178)	(1,111,704)
Other operating income	-	726,769
Operating loss	<u>(1,683,178)</u>	<u>(384,935)</u>
Gain on revaluation of investments	9,794	-
Exceptional item	(400,000)	8,035,879
Share based payments	-	(176,224)
Interest receivable	148	-
Interest payable	(6,584)	(82,471)
(Loss)/profit before tax	<u>(2,079,820)</u>	<u>7,392,249</u>

Sefton Resources Inc
Detailed profit and loss account
for the year ended 31 January 2016

This schedule does not form part of the statutory accounts

	2016	2015
	\$	\$
Administrative expenses		
Employee costs:		
Wages and salaries	378,168	137,270
Chairman's fees	12,147	-
Directors' salaries	147,335	156,000
Pensions	2,982	28,400
Severance pay	100,000	-
Staff bonuses	51,842	-
Employer benefits	566	10,614
401(K) Plan	3,812	7,088
Employer's NI	31,317	-
Travel and subsistence	54,489	(27,460)
Motor expenses	-	153
Entertaining	4,968	2,286
	<u>787,626</u>	<u>314,351</u>
Premises costs:		
Rent	5,646	16,114
Rates	-	32
	<u>5,646</u>	<u>16,146</u>
General administrative expenses:		
Telephone and fax	5,749	8,653
Computer expenses	14,876	1,068
Postage	4,332	770
Stationery and printing	3,188	7,732
Information and publications	-	122
Subscriptions	-	15,212
Bank charges	5,163	18,307
Financing costs	16,971	-
Insurance	19,473	58,137
Equipment hire	(230)	3,652
Repairs and maintenance	-	199
Depreciation	-	54,059
Bad debts	2,534	-
Sundry expenses	68,493	(11,940)
	<u>140,549</u>	<u>155,971</u>
Legal and professional costs:		
Accountancy fees	16,992	77,693
Consultancy fees	240,990	271,981
Advertising and PR	33,321	8,062
Other legal and professional	458,054	267,500
	<u>749,357</u>	<u>625,236</u>
	<u>1,683,178</u>	<u>1,111,704</u>
Share based payments		
Stock options expenses	-	176,224
Other operating income		

Sefton Resources Inc
Detailed profit and loss account
for the year ended 31 January 2016

This schedule does not form part of the statutory accounts

	2016	2015
	\$	\$
Management charges	<u>-</u>	<u>726,769</u>