22 August 2014

Sefton Resources, Inc.
("Sefton" or the "Company")

Half Yearly Report for the six months to 30 June 2014

The Board of Directors of Sefton (the "Board") wishes to advise shareholders of the Company's performance during the first half of 2014 (the "Period").

Sefton has been, and continues to deal with a series of events which have constricted cash flows and operational flexibility during the Period. Principally among them has been the drain on cash flows needed to meet commitments on the Company's banking facilities. Beginning in Q3 2013, payments required to be made to the bank drained cash that would have normally been re-invested in operational activities. As a result, all three areas of operation have been negatively impacted:

- The heavy oil operations in California as they are dependent on cyclic steaming to maintain and grow the level of oil production, water disposal facilities to recirculate water produced with the oil and also on regular maintenance and care of equipment;
- In Kansas, the producible wells require regular maintenance and investment to exploit the asset. Without free cash flow, re-investment is not possible and production inevitably declines, as has been the case in the Company's main properties; and
- Sefton has been unable to move forward in developing its TEG Transmission assets in Kansas due to cash constraints.

An agreement with Hawker Energy to acquire an 80% interest in the heavy oil operations in California (see the announcement of 30 June 2014) has provided vital cashflow to Sefton during the Period, and the closing of this transaction, approved by shareholders at an Extraordinary General Meeting on 23 July 2014, is a key step in getting to a stable viable ongoing Company. The Hawker transaction is proceeding with a prospective close, possibly in Q3 2014, but more likely early Q4 2014, subject to a replacement debt financing package being put in place and continuing financial support by Hawker and its affiliates in dealing with the current bank, expanding operations in TEG USA and freeing other cash for investment in Kansas.

The Board are currently evaluating a production linked financing for the Kansas exploration and production assets (see the announcement of 22 August 2014) and are also in very early stage discussion with third parties interested in joint venture participation in co-owning and utilising the Kansas pipeline facilities.

The Company has been operating without the benefit of any executive directors, relying on experienced incumbents in field and operating locations in Kansas and California, as well as the Denver administration office.

The non-executive directors have been taking leading roles managing the external side of the business including stock exchange and capital markets, business development, M&A/disposals and multiple legal issues..

Whilst the appointment of a CEO and additional directors is a near term goal, doing so is unlikely before the Hawker transaction closes.

Whilst uncertainties continue, a platform is in place to get the Company through to the next phase of opportunity and development of the Company's remaining assets. Employees, directors and service providers have come together to keep the Company viable. The short term strategic goals are to complete the Hawker transaction, secure additional finance for Kansas and add directors knowledgeable in the areas of business of interest to the Company. Longer term direction will come from that new leadership team.

For further information please visit www.seftonresources.com or contact:

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Financial review for the six months ended 30 June 2014

Summarised financial information (unaudited)

	30 June 2014 $'000s	30 June 2013 $'000s
Revenue	1,446	2,233
Cost of sales	(1,045)	(887)
Gross profit	401	1,346
(Loss) / profit before non-cash charges, interest and taxes	(440)	245
Total comprehensive loss for the period	(959)	(253)
Cash and cash equivalents	121	644
Total assets	15,708	28,618
Total liabilities	(9,186)	(8,140)
Net assets	6,522	20,478
Capital expenditure	(122)	(1,694)
Realised oil price per barrel	$96	$97
Oil sold (barrels)	15,024	22,975
Oil production (barrels)	15,178	22,699

Revenue in the period to 30 June 2014 is significantly lower than for the comparative period due predominantly to the significantly lower production and sales volumes, in addition to a slight drop in oil prices.

General and administrative expenses have decreased in the 2014 period to $805k compared to $1.080 million in the 2013 period. This decrease is largely due to reduction in staff costs.

The depletion, depreciation and amortisation charge has decreased to $152k in the period to 30 June 2014, compared to $277k in the period to 30 June 2013. This is mainly due to the decreased production, because the depletion charge is calculated on a units-of-production basis (% of estimated reserves).

The retirement obligation expense has increased compared to the comparative period due to an additional employee accruing retirement benefits.

Share-based payments are $103k in the six months to 30 June 2014 compared to $105k in the comparative period. No new options have been issued in the current period. Whilst a number of options have now vested resulted in a reduction in the expense for the period, 17,999,999 options have also been cancelled at 30 June 2014. This cancellation has resulted in an acceleration of the remaining expense for those options, in accordance with IFRS 2, of $24k which is included in the total share-based payments for the period.

Finance costs have increased significantly – from $120k in the 2013 half year period to $264k in the current period due to the combination of additional borrowings and increased interest rates.

There were no cash receipts from the issue of new shares in the period – compared to $967k in the period to 30 June 2013.

New loans issued in the period amounted to $892k, of which $102k was received in cash and $790k represents payments made directly by Hawker to repay capital and interest on the Group's existing bank loan ($129k of loans were issued in the period to 30 June 2013 for cash).

Conversion of loan notes and other share issues are explained in notes 2 and 3 below.

Unaudited consolidated statement of comprehensive income

	June 2014 $000's	June 2013 $000's	December 2013 $000's
Revenue	1,446	2,233	4,727
Cost of sales	(1,045)	(887)	(1,894)
Gross profit	401	1,346	2,833
General and administrative expense	(805)	(1,076)	(2,594)
Retirement obligation expense	(36)	(21)	(72)
	(841)	(1,197)	(2,666)
(Loss) / profit before exceptional administrative expenses	(440)	249	167
Exceptional expenses – impairment (Kansas)	-	-	(1,923)
Exceptional expenses – impairment (California)	-	-	(10,963)
(Loss) / profit before non-cash charges, interest and taxes	(440)	249	(12,719)
Depletion, depreciation and amortisation	(152)	(277)	(570)
Share-based payments	(103)	(105)	(234)
Operating income	(695)	(133)	(13,523)
Finance costs	(264)	(120)	(246)
Total comprehensive (loss) for the period attributable to equity holders of the parent	(959)	(253)	(13,769)
	Per share $	**Per share** $	**Per share** $
Basic and diluted loss per share	(0.00132)	(0.0004)	(0.02047)

Unaudited consolidated balance sheet

	June 2014 $000's	June 2013 $000's	December 2013 $000's
Non-current assets			
Intangible assets	3,765	5,638	3,671
Property, plant and equipment	11,335	21,847	11,511
	15,100	27,485	15,182
Current assets			
Cash and cash equivalents	121	644	250
Trade and other receivables	487	489	690
	608	1,133	940
Total assets	15,708	28,618	16,122
Non-current liabilities			
Retirement obligation	329	241	292
Asset retirement obligation	1,957	1,697	1,939
	2,286	1,938	2,231
Current liabilities			
Trade and other payables	1,774	973	1,745
Current portion of borrowings	5,126	5,229	4,955
	6,900	6,202	6,700
Total liabilities	9,186	8,140	8,931
Net assets	6,522	20,478	7,191
Shareholders' equity			
Share capital	24,879	24,607	24,692
Retained deficit	(18,357)	(4,129)	(17,501)
Total equity attributable to equity holders of the parent	6,522	20,478	7,191

Unaudited consolidated statement of changes in equity

	Common shares, no par value			
	Shares	**Amount**	**Retained deficit**	**Total**
		$000's	$000's	$000's
Balances 1 January 2014	704,089,741	24,692	(17,501)	7,191
Shares issued in lieu of payment	7,154,724	32	-	32
Shares issued on conversion of loan notes	18,063,854	155	-	155
Compensation expense related to share options	-	-	103	103
Comprehensive income	-	-	(959)	(959)
Balances 30 June 2014	729,308,319	24,879	(18,357)	6,522
Balances 1 January 2013	577,581,720	23,750	(3,981)	19,769
Shares issued for cash	108,333,333	967	-	967
Share issuance costs	-	(110)	-	(110)
Compensation expense related to share options	-	-	105	105
Comprehensive income	-	-	(253)	(253)
Balances 30 June 2013	685,915,053	24,607	(4,129)	20,478
Balances 31 December 2012	577,581,720	23,750	(3,981)	19,769
Shares issued for cash	124,333,333	1,082	-	1,082
Share issuance costs	-	(150)	-	(150)
Shares issued on conversion of loan notes	2,174,688	10	-	10
Compensation expense related to share options	-	-	234	234
Compensation expense related to share warrants	-	-	15	15
Total comprehensive expense	-	-	(13,769)	(13,769)
Balances 31 December 2013	704,089,741	24,692	(17,501)	7,191

Unaudited consolidated statement of cash flows

	June 2014 $000's	June 2013 $000's	December 2013 $000's
Cash flows from operating activities			
Operating profit	(959)	(253)	(13,769)
Finance costs	264	120	246
Share based payments	103	105	234
Retirement benefit expense	36	21	72
Depreciation	152	277	570
Impairments	-	-	12,886
	(404)	270	239
Changes in operating assets and liabilities:			
Changes in trade and other receivable	204	292	168
Changes in trade and other payables	91	398	1,102
Net cash provided by operating activities	(109)	960	1,509
Cash flows from investing activities			
Purchase of intangible assets	(94)	(710)	(1,071)
Purchase of property, plant and equipment	(28)	(984)	(1,275)
Net cash used in investing activities	(122)	(1,694)	(2,346)
Cash flows from financing activities			
Proceeds of issue of new shares	-	967	1,082
Expenses of new share issue	-	(110)	(150)
Proceeds from notes payable	102	-	193
Payments on notes payable	-	(350)	(796)
Interest paid	-	(76)	(189)
Net cash provided by financing activities	102	431	140
Net (decrease) / increase in cash and cash equivalents	(129)	(303)	(697)
Cash and cash equivalents at beginning of period	250	947	947
Cash and cash equivalents at end of period	121	644	250

Notes to the Unaudited Financial Information
for the 6 months ended 30 June 2014

Accounting policies

The interim financial information in this report has been prepared on the basis of the accounting policies set out in the audited financial statements for the year ended 31 December 2013, which complied with International Financial Reporting Standards as adopted for use in the European Union ("IFRS").

IFRS is subject to amendment and interpretation by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee and there is an on-going process of review and endorsement by the European Commission.

The condensed financial information for the period ended 31 December 2013 set out in this interim report has been extracted from the full audited financial statements. These financial statements can be viewed at www.seftonresources.com .

1. Loss per share attributable to the equity shareholders of the Company

Basic loss per share	**June 2014** $000's	**June 2013** $000's	**December 2013** $000's
Total basic loss per share (US cents)	(0.00132)	(0.0004)	(0.02047)

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	June 2014 $000's	**June 2013** $000's	**December 2013** $000's
Earnings used in the calculation of total basic and diluted earnings per share	(959)	(253)	(13,769)

	June 2014 $000's	**June 2013** $000's	**December 2013** $000's
Number of shares			
Weighted average number of ordinary shares for the purposes of basic earnings per share	723,748,535	647,609,344	672,715,707

As at 30 June 2014, 30 June 2013 and 31 December 2013 the options in issue are not dilutive under IAS 33, Earnings per Share, because they would have the effect of decreasing the loss per share. As such there is no difference between the basic and dilutive loss per share at these dates.

2. Share Capital

During the period to 30 June 2014, 83,720,700 Common Shares were issued as follows:

- On 17 January 2014, 7,154,724 common shares were issued in settlement of future contractual payments totalling £20,000, equivalent to 0.28 pence per share.

- The following conversions of the convertible loan notes have taken place:

Date	Principal converted	Price per common share	Number of shares issued
21 January 2014	$10,000	0.195 pence	3,128,206
31 January 2014	$10,000	0.195 pence	3,128,206
10 February 2014	$25,000	0.195 pence	7,820,513
17 April 2014	$10,000	0.153 pence	3,986,929
6 May 2014	$20,000	0.1397 pence	8,446,671
9 June 2014	$15,000	0.0995 pence	9,045,226
18 June 2014	$15,000	0.0862 pence	10,259,917
27 June 2014	$50,000	0.0956 pence	30,750,308

Following the above conversions, the convertible loan notes principal was reduced to $55,000.

During the comparative 6 month period to 30 June 2013, 108,333,333 Common Shares were issued at 0.6p raising £650,000.

Following the issue of Common Shares in the period to 30 June 2014, there were 787,810,441 Common Shares in issue.

3. Events after the balance sheet date

Subsequent to the balance sheet date, 58,582,651 Common Shares were issued during July and August:

- On 18 July 2014, 32,168,554 common shares were issued in settlement of outstanding accounts payable, employee compensation and directors' fees and expenses in the amount of US$88,045, equivalent to 0.1592 pence per share.

- The following conversions of the convertible loan notes have taken place, as a result of which the loan notes have been converted in full:

Date	Principal converted	Price per common share	Number of shares issued
23 July 2014	$20,000	0.1234 pence	9,487,667
30 July 2014	$19,000	0.1391 pence	8,067,940
15 August 2014	$16,000 (plus accrued interest of $3,427)	0.1312 pence	8,858,490

Following these issues of Common Shares, there are 846,393,092 Common Shares in issue.

The agreement with Hawker Energy to acquire an 80% interest in the heavy oil operations in California was approved by shareholders at an Extraordinary General Meeting on 23 July 2014. The Hawker transaction is proceeding with a prospective close, possibly in Q3 2014, but more likely early Q4 2014, subject to a replacement debt financing package being put in place.