

Dear Shareholder,

I last wrote to you in May of this year and as promised I am writing again to bring you up to date.

As you might expect during the summer things have been quiet.

We have closed the USA companies down and have stopped the costs that were fast bleeding the company to death. Monthly bills supporting the redundant overheads in the US were significant and onerous as were the legal costs and risks.

We have settled accounts and closed the companies.

While in boom times these operations might have had significant hope value, in the current extremely depressed oil sector uncommercial assets are a significant financial drain requiring constant and expensive maintenance, taxes and license fees while always remaining a huge litigation risk. Even a whiff of environmental issues would have wiped us out.

The US companies have cost Sefton millions and without shutting them we would now be out of cash.

As your directors have had extensive experience with US entities we were able to exit the US at reasonable, though not insignificant, cost. A process that could have easily eaten up all our resources, and/or embroiled Sefton in yet more litigation.

We are happy to say we have avoided both.

The dangers of remaining in the US are neatly illustrated by the ongoing legal actions with Mr Ellerton. Sefton's US presence opened the company to this expensive, distracting and damaging lawsuit purely because of its presence with US corporate entities. While the legal actions against us had no basis they were nonetheless expensive and difficult.

These open ended risks are now behind us.

We have continued the legal process with Mr Ellerton, which is progressing well with our costs now covered by insurance and significant receivables due. We have a lien for \$140,000 accruing at 10% per year, over Mr Elleton's Hawaii residence to recoup our court awards and we are confident of a satisfactory conclusion in due course to this matter.

Now the Damacles sword of the US is no longer over our heads we are in a position to look for opportunities as we are now a stable company.

Our finances are in good order and we are currently drawing up the year-end figures.

We have looked at several possibilities but we have resisted the temptation to gamble the company's cash on speculations. We have had discussions with shell companies and will

continue to peruse this tack as a way to inject shareholders' interests into a new listed entity. The end of the summer period is here and this will accelerate the process of identifying deals for Sefton.

I have had several e-mails asking if we intend to list again. The answer to that is yes if the right deal comes along. We don't want to be listed just for the sake of it, as the fees/costs would consume our cash, but an opportunity may present itself where this would make sense.

I have been asked to update you on our money/cash situation. As of writing, including our legal insurance cost refunds and after extensive work reorganizing the company structure with associated costs, we have approximately £300,000 in cash and cash receivables (£190,000 in cash and \$140,000 via the lien). Our overheads are now small so we have time to look for the right opportunity.

When that opportunity does arise I will of course let you know.

Regards

Clem Chambers