

16 January 2015

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

Update on Proposed Refinancing & Notice of Extraordinary General Meeting ("EGM")

The board of directors of Sefton (the "Board") provides the following update in respect to refinancing plans for the loan facility from Bank of the West (the "Bank") to its wholly owned subsidiary TEG USA Inc. ("TEG USA"), whose primary asset is the Tapia oil field in California (the "Loan"). The current balance of Loan is approximately \$4m. The continued fall in world oil prices has had a significant negative impact on the Company and the viability of the transaction approved by shareholders at the previous EGM held on 23 July 2014.

The Company has negotiated a significantly revised transaction and entered into a Share Purchase Agreement (the "SPA") with Hawker Energy, Inc. ("Hawker") whereby Hawker will acquire 100% of the shares of TEG USA, subject to shareholder approval and other conditions typical for such a transaction. Shareholder approval will be sought by way of an EGM set for 30 January 2015 at the Company's office in Denver, CO, USA at 5.00pm GMT, 10.00am MST. Notice of this EGM will be posted to registered shareholders and depository interest holders today.

Subject to shareholder approval, Hawker will assume all liabilities of TEG USA and pay a consideration of:

- 3,000,000 common shares of Hawker (current mid price \$0.0625, giving a value of \$187,500), subject to a six month lock in from date of issue; and
- 5,000,000 share purchase warrants to acquire common shares of Hawker at a strike price of \$0.25 per share for 5 years.

In addition, revised terms have been agreed with the Bank whereby, in exchange for Hawker advancing an additional \$350,000 to TEG USA under its existing facility (the Subordinated Loan, as defined and described in the announcement of 30 June 2014 and updated in the announcement of 16 July 2014), increasing the total amount under the Subordinated Loan to \$1,850,000, the Bank will extend the Loan to 31 December 2015 (the "Revised Loan"). Under the Revised Loan, TEG USA will pay only on the loan, with the full outstanding balance repayable on 31 December 2015. Sefton and TEG MidContinent Inc. (Sefton's wholly owned Kansas oil and gas exploration and production subsidiary) will continue to be co-borrowers under the Revised Loan, meaning that the contingent liability for the full balance of the Revised Loan until it is repaid in full, however Hawker will indemnify Sefton and TEG MidContinent Inc. from liabilities pursuant to the Revised Loan.

The EGM circular will be posted on the Company's website during business hours in Denver, and a copy of the material elements can be viewed below, and shareholders should read this as it contains important further information. Arrangements have been made with Computershare Investor Services PLC to distribute proxy material to shareholders.

Visit www.seftonresources.com or contact:

Keith Morris, Director	Tel: 0207 448 5111
Nick Harriss, Nick Athanas, Allenby Capital (Nomad)	Tel: 0203 328 5656
Neil Badger, Dowgate Capital Stockbrokers (Broker)	Tel: 01293 517 744

Dear Shareholder (and for information only the holders of options and warrants),

Extraordinary General Meeting (the “EGM”)

Introduction and Background to the Proposals.

Subsequent to the EGM held on 23 July 2014, the Company worked with Hawker Energy Inc. (“Hawker”), under the terms of the Forbearance Agreement with the Bank of the West (the “Bank”), to secure independent replacement financing to repay the Bank in full before 31 December 2014. During this time, Hawker injected an additional \$0.6 million into TEG Oil & Gas USA, Inc. (“TEG USA”), bringing its total loan amount to TEG USA to \$1.5 million. Of this total amount, \$1.3 million was paid to the Bank under the Forbearance Agreement. The Bank allocated the payments received to interest, principal, costs and expenses at its sole discretion. As a result of payments to the Bank, the loan balance was reduced by \$0.8 million to \$4.0 million at 31 December 2014. Interest accounted for \$0.3 million and attorney fees and other expenses amounted to \$0.2 million. At 31 December 2014, interest of \$0.05 million for November and December was due to the Bank and has not been paid.

The Forbearance period has ended, the loan remains in default and the Bank has the unilateral right to appoint a receiver to manage the affairs of the Company. As stated in the 30 June 2014 EGM circular, the Company has the right to seek protection under the United States Bankruptcy Code, Chapter 11 and Chapter 7. Chapter 11 is similar to administration in UK and Chapter 7 is a liquidation process. Additional insolvency protection for Sefton, a BVI company, may be available under the insolvency laws of British Virgin Islands.

During the Forbearance period, Hawker met with several potential lenders under confidentiality agreements. Due diligence by prospective lenders was extensive, using information available in the Company’s on-line data room, site visits and meetings with management and operation personnel. This activity led to a term sheet and commitment from one lender for \$4.25 million, sufficient to repay the Bank in full, and provide modest working capital to rejuvenate the production and processing assets in California. On 1 December 1 2014, the date intended to be the drawdown of the new loan, the lender withdrew from the financing citing low oil prices as having undermined the value of the assets and decline in net working capital from production. Hawker had also arranged an equity investment of \$1.5 million from a private investment group to be invested together with the new loan. Upon withdrawal of the new loan financing, this equity investment was also withdrawn.

There followed a series of meetings, conference calls, emails and written proposals from Hawker to the Bank and from Hawker and the Company jointly to the Bank. American Thanksgiving and the holiday season in December delayed the process somewhat. In the end, it was obvious to all that Hawker could not complete the TEG USA acquisition as outlined in the 30 June 2014 EGM circular and as approved by shareholders. A new structure between Hawker and the Company, approved by the Bank, was negotiated (see item 2 regarding Proposed Asset Sale below).

Shareholders will be aware that the fundamental nature of the market in which the Group operates has changed due to the global decline in oil prices. With the reduced cash flows resulting from this price decline, we could not meet the demands of the Bank and develop the assets at the same time. The resolutions which shareholders are now asked to approve reflect this situation. Production in California, with no steaming, was less than 60 barrels per day in December. TEG MidContinent has not produced any oil or gas since November due to an inability to fund normal field operational maintenance. Accounts payable throughout the Company have continued to grow, property taxes are unpaid, and liens are being filed by trade creditors. The transaction with Hawker, as outlined herein, will remove

the only cash generating asset of the Group. The Kansas businesses need working capital or joint venture partners to restore existing wells to production and restore cash flow. Sefton, TEG USA and TEG MidContinent are “Co-Borrowers” sharing joint and several responsibility of all obligations under the Bank loan agreement. The Bank has consistently refused to release Sefton or TEG MidContinent from the collateral until they have been fully repaid. Thus, new financing or partners see substantial investment risk if the Bank chooses to put a receiver in place at Sefton or TEG MidContinent before Hawker secures alternative financing to repay the Bank.

A year has passed since the Bank called the loan. Considerable effort has been made to find a working solution to the Company’s challenges. Hence, the Board is asking shareholders for discretionary authority to sell additional assets wherever possible in order to sustain the company and its AIM admission. All asset sales and use of proceeds will require Bank approval. With TEG USA’s liabilities off the books, and some cash from asset sales to service corporate accounts payable, there may be some residual value in the AIM admission. We have had enquiries from third parties to such effect and will give consideration to them after closing the proposed transaction with Hawker. The overall goal is to preserve some equity value for Sefton shareholders.

a. Proposed Asset Sale

As the Restructuring transaction approved by Shareholders on 23 July 2014 was for an 80% interest in TEG USA, and the new transaction is for 100% of TEG USA, shareholder approval is required for the new transaction which has been structured between Hawker and the Company. The plan to transfer TEG USA assets to Tapia LLC has been cancelled. Hawker will acquire 100% of TEG USA. The transaction consists of the following elements:

- 100% of Common Shares of TEG USA will be transferred to Hawker on closing, subject to shareholder approval.
- Hawker will assume all liabilities of TEG USA, current and future. These liabilities include, but are not limited to the following, some of which are estimates;
 - Retirement Obligations & Accrued Vacation \$811,000
 - Bank \$4,000,000
 - Accounts payable \$496,000
 - Property taxes \$350,000
 - Hawker Loan \$1,600,000 to \$2,000,000
 - Abandonment (plug and Abandon) \$2,100,000
- Hawker will issue to the Company 5,000,000 warrants to buy common shares of Hawker. The terms of the warrants are a strike price of \$0.25 per share, 5 year term and option to do a cashless exercise. A Black-Scholes option valuation tool can be found at <http://www.danielsoper.com/fincalc/calc.aspx?id=37>
- Hawker will issue the Company 3,000,000 common shares of Hawker at closing. Under US securities regulation Rule 144a, a re-sale restriction of six months will apply to these shares.
- Hawker will provide TEG USA with up to \$350,000 of working capital, under the Subordinated Loan Agreement, \$200,000 on 15 January 2015, and the balance upon shareholder approval of the resolutions in this EGM circular. The Subordinated Loan will have a maximum availability of \$2.1 million and is payable on December 15, 2015. Sefton will have no obligations under the Subordinated Loan if shareholder approval for the transaction is given.
- The Company will pledge the shares of TEG USA to Hawker as security for the Subordinated Loan which will total \$1.7 million after the \$0.2 million in additional funding. The pledge will survive until the TEG USA share sale to Hawker is completed.

b. Agreement with Bank for Additional Forbearance

The Bank has accepted most of a joint proposal from Hawker and the Company. The agreed terms include:

- Extension of the Forbearance Period to 31 December 2015

- Adjustment of the interest rate to 9.0% if the loan is not in default of other provisions. The interest rate increases to 14.0% if the loan is in default.
- Interest only monthly payments equal to 5.0% annual interest with 4.0% in annual interest accruing throughout the Forbearance Period.
- All asset sales must be approved by the Bank and proceeds from asset sales will be applied at the Bank's discretion, but if the proceeds of any asset disposal (excluding the assets of TEG USA) are used to repay or partially repay the loan to the Bank, then Hawker will issue a loan note of equivalent value to Sefton. These loan notes will carry a 6% coupon and be repayable on the earlier of full repayment of the loan to the Bank and three years from issue.
- Sefton and TEG MidContinent will remain co-borrowers under the loan agreement until the Bank is paid in full.

Shareholders should be aware that if the Resolutions are not approved and the Refinancing not completed, the Directors believe that the Bank will in all likelihood exercise its security and commence foreclosure proceedings, including the appointment of a receiver to TEG USA and the other Co-Borrowers. In such circumstances the Board may seek protection for the Group under Chapter 11 of the United States Bankruptcy Code, that the Company's shares would be likely be suspended from trading on AIM and that there would be a material uncertainty as regards the future viability of the Group.

Fundamental Change of Business under AIM Rule 15

Subject to the passing of the Resolutions, the sale of the TEG USA shares will result in Sefton losing voting and Board control of the Tapia and Eureka Fields. This will result in a Fundamental Change of Business, as defined in the AIM Rules, and requires the approval of Shareholders. Resolution 1 is for this purpose.

The passing of Resolution 1 will not result in the Company becoming an Investing Company under the AIM Rules. TEG MidContinent and TEG Transmission will remain wholly owned operating subsidiaries of the Company. Any subsequent disposal of these assets or interests in these assets may result in Sefton becoming an Investing Company and may require further Shareholder approval.

Future Strategy

See Recommendation. If Resolution 2 is passed, the course of action will be as outlined therein. The Directors believe there will be some scope to work with the Bank on developing joint venture opportunities with the Kansas oil assets. It may be possible to ring fence assets as they are, while providing investors with some expectation that new investment can be sustained on a standalone basis. Without the ability to drive cash flow, the Company will not be able to meet its commitments and as such would not be eligible to maintain its listing.

Financial Results

Shareholders are advised to read the Annual Report and Accounts of Sefton for the year to 31 December 2013 and the 30 June 2014 interims which have been published and posted on the Company's website at www.seftonresources.com. At 31 December 2014, accounts payable of Sefton are estimated at \$370,000. TEG Midcontinent also has outstanding payables of approximately \$25,000.

Current Trading

The Group is currently producing approximately 50 to 60 barrels of oil per day, principally from the Tapia Field. While sufficient to maintain operations, this level of production does not provide for growth opportunities, loan repayments, preventive maintenance or new drilling and equipment. The Board believes that significant additional capital is required to grow the operations both in California and Kansas, and that such capital levels cannot be achieved from internal sources.

Extraordinary General Meeting

Set out at Part V of this document is a notice convening the EGM to be held at 5.00 pm (10.00 am MST) on 30 January 2015 at the offices of the Company at 2050 South Oneida Street, Suite 102, Denver Colorado 80224, USA, at which the Resolutions will be proposed for the purposes of implementing the Refinancing. Each Resolution will be proposed as an ordinary resolution and will require a simple majority of the votes cast for it to be passed.

Resolution 1 is proposed to authorise the Board to complete the Refinancing with Hawker.

Resolution 2 is proposed to authorise the Board to do all things necessary to document and finalise the Refinancing.

Documents on Display

There are no Documents on Display

Action to be taken

You will find enclosed with this letter a Form of Proxy for use by Shareholders at the EGM. Whether or not you intend to be present at the EGM, you are requested to complete and return the Form of Proxy in accordance with the instructions in the Notice and printed on the Form of Proxy. To be valid, the completed Form of Proxy must be received by Computershare Investor Services PLC, The Pavilions, Bridgewater Road, Bristol BS99 6ZY as soon as possible and in any event by no later than 5.00 pm on 26 January, 2015 (or, in the case of any adjournment or postponement of the EGM, not later than 48 hours before the time fixed for the holding of the adjourned or postponed meeting). Completion of a Form of Proxy will not preclude you from attending the EGM and voting in person if you so choose.

If you are a holder of Depository Interests, a Form of Instruction is enclosed. To be valid, the Form of Instruction should be completed, signed and returned in accordance with the instructions printed thereon to the Company's depository, Computershare Investor Services PLC, The Pavilions, Bridgewater Road, Bristol BS99 6ZY as soon as possible but in any event must arrive not later than 23 January, 2015 at 5.00 pm.

Recommendation

The Non-Executive Directors have been working for over 15 months to find a solution to the future of the Company. We have come close, but have not been successful. The precipitous drop in global oil prices in the second half of 2014 has materially affected our ability to secure a transaction to refinance the bank debt. We have covered our own expenses, not taken any compensation except for a modest amount of Common Shares, of which Q3 and Q4, 2014 have yet to be paid, but will wait until this EGM is decided. The Directors cannot continue unless they have the tools to get a deal done. Without the support of shareholders, Directors will have no alternative but to put the Company into some form of insolvency. In this scenario, shareholder investment is worth net zero, Hawker's investment is probably close to net zero, and the Bank will not recover 100% of its loan balance in the current environment. Also, unsecured creditors are unlikely to receive any payment in an insolvency situation. The Bank has the right to appoint a receiver. In the USA, that person costs about \$500 per hour. The receiver will layer the file with assistants, accountants, maybe a geologist and some field hands, as the Bank is responsible for the cash to pay the Receiver and also to keep the assets and people working.

We have put up with various kinds of threats, lawsuits, arbitration and other unnecessary expenses. We cannot continue without a clear mandate from shareholders. In the 23 July 2014 EGM, about 20% of shares eligible to vote sent in proxies. It takes 50% of votes cast to pass the resolutions or defeat them. Please ask your intermediaries for the Form of Proxy.

Therefore, we urge you to use this opportunity to extend the forbearance period for a year, let the Directors find buyers or partners for other assets, and clean up the corporate books.

The resolutions below will provide Directors with the flexibility to implement alternative solutions.

If the Resolutions are not passed by the requisite majority and the Refinancing is not completed, the Directors believe there will be a material uncertainty as to the viability of the Group.

Yours faithfully,

Tom Milne, Keith Morris & Mark Smith
Directors, Sefton Resources, Inc.

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

“AIM”	AIM, a market operated by the London Stock Exchange
“AIM Rules”	together, the AIM Rules for Companies (including the guidance notes thereto) and the AIM Rules for Nominated Advisers as published by the London Stock Exchange from time to time
“Articles”	the Company’s Articles of Association
“Bank”	the Bank of the West, the Company’s primary bankers, and the lender under the Old Loan Facility
“Board”	the collective body of the Directors of the Company from time to time
“Common Shares”	common shares of no par value each in the capital of the Company
“Common Share Capital”	the share capital of the Company represented by Common Shares
“Company” or “Sefton”	Sefton Resources, Inc., incorporated under the British Virgin Islands Business Companies Act 2004 (as amended) with Registered Number 140049
“CREST”	the relevant system for paperless settlement of share transfers and the holding of shares in uncertificated form, which is administered by Euroclear UK & Ireland Limited
“Depository Interests”	depository interests of the Company
“Directors”	the directors of the Company as at the date of this document whose names are set out above
“Extraordinary General Meeting” or “EGM”	the Extraordinary General Meeting of the Ordinary Shareholders of the Company to be held on 30 January 2015 at 5.00 pm BST and including any adjournment or postponement thereof
“Form of Instruction”	the form of instruction for use by the holders of Depository Interests

“Form of Proxy”	the form of proxy for use by the Shareholders in connection with the Extraordinary General Meeting which accompanies this document
“Group”	Sefton and its 100% direct and indirect subsidiary undertakings as at the date of this document, being TEG USA, TEG MidContinent, TEG Transmission and Tapia LLC. Tapia LLC will not be used as part of this transaction and may be wound up in the future.
“Hawker”	Hawker Energy, formerly Sara Creek Gold Corp, incorporated in Nevada and listed on the US Over the Counter securities market, symbol HWKR.
“London Stock Exchange”	London Stock Exchange plc
“Notice of EGM” or “Notice of Extraordinary General Meeting” or “EGM Notice”	the notice of the Extraordinary General Meeting to be held on 30 January 2015 at 5.00 pm (BST), or any adjournment thereof, which is set out at Part V of this document
“Refinancing”	together, the monies provided to the Group by Hawker through both equity and loan capital, as set out in section 2 of Part II of this document
“Resolutions”	the resolutions set out in the EGM Notice
“Shareholder(s)” or “Ordinary Shareholder(s)”	holder(s) of the Common Shares
“Tapia Field”	the Tapia Canyon oil field which covers an area of approximately 280 acres located about 40 miles north of the Los Angeles metropolitan area which is currently owned and operated by TEG USA
“Tapia LLC”	Tapia LLC, a limited liability company incorporated under the laws of California, and as at the date of this document a wholly owned subsidiary of TEG USA
“TEG MidContinent”	TEG MidContinent Inc., a wholly owned subsidiary of the Company engaged in oil and gas exploration in Kansas, USA
“TEG Transmission”	TEG Transmission LLC, a wholly owned subsidiary of the Company engaged in the ownership and operation of a natural gas pipeline in Kansas, USA
“TEG USA”	TEG USA Inc., a wholly owned subsidiary of the Company engaged in oil and gas exploration and production in California, USA, and the owner and operator of the Tapia Field.
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“uncertificated” or “in uncertificated form”	recorded on the register of members of the Company as being held in uncertificated form in CREST