

Sefton Resources Inc.

CEO's Statement

19-05-16

Dear Shareholder,

Things have been moving slowly for Sefton. This is due to Sefton being a BVI company and complexity now very much frowned on by UK and US corporate service providers. The scorched earth policy of the previous management has also slowed your board down.

Picking up the pieces of a complicated corporate situation with minimal documentation and no hand over has been a trying and long winded process but the bulk of this is now behind us.

There are pros and cons of being a BVI company, but contrary to what the newspapers would have you believe, an offshore company comes under extremely heavy scrutiny when it tries to do anything at all. The level of KYC (know your customer) that needs to be provided for such a restructure is extreme and relies on much to-ing and fro-ing and delay.

The key actions we have undertaken are to cut the US bleed. The 'assets' in Kansas were a big liability for the company. There were leases to renew, equipment to oversee and maintain, taxes to be paid and retainers to contractors, all draining the company's cash. This has been brought to a conclusion with the sale of the assets for a peppercorn of \$5,000 to a local operation.

None of the 'assets' were of a practical commercial value at the current oil price, or for that matter at any foreseeable oil price. Maintaining the optionality value of the Kansas situation would have quickly drained the company's cash to nothing. Meanwhile, the company would have been open to the many associated risks connected to the oil business in litigious America. There is still work to do to complete this de-risking process and it will no doubt drag on in months of paperwork but this is progressing.

Meanwhile, we are making progress on our defence of the US litigation against us by Mr Ellerton and parties. The overall case has been proceeding to our satisfaction, with solid progress being made in our favour. We have placed a lien on Mr Ellerton's property for the costs we have been awarded of approximately \$140,000. However, our expectations for any kind of recovery are very modest.

It has now been confirmed we will recoup an amount of legal costs so far expended, around \$75,000, from our insurance, and further costs will be met by this coverage. Litigation is an expensive process, so our insurance kicking in is a relief. We expect legal issues to drag on but we are hopeful their impact will no longer be material beyond the time and effort spent.

Meanwhile, we have been working towards providing the company and its shareholders upside. As it has taken a long time to get the company in a position where it could act, this is still in early stages.

Now your board has its hands on all the various corporate levers it has begun a range of discussions and in our opinion there are opportunities worth pursuing.

Meanwhile, the accounts are being prepared and we will update you when they are released or before if there is anything material to report.

Regards

Clem Chambers