

**Sefton Resources, Inc.**  
**("Sefton" or "The Company")**

**Interim results for the six months to 30 June 2007**

**HIGHLIGHTS**

- Bank Financing agreed
- Net income slightly up
- Two new wells to be drilled at Tapia
- Steaming program about to start

Chairman, Jeremy Delmar-Morgan states that the financing, which has previously held back Sefton's development, is now in place. This is the most significant event for Sefton during the last few months and will mean that two new wells and the steaming of two other wells will start in the next couple of weeks.

Chairman's Statement The first half of 2007 has been one of consolidation as far as the trading position is concerned. Oil production from the existing wells was relatively steady at around 130 bopd. Oil and gas sales were down some 15% at \$1.276m (\$1.508m) but with general and administrative charges down 18% and oil and production costs reduced by 23%, net income was slightly up on last year at \$179,134 (\$175,647). Last year's figures included TEG Oil & Gas Canada, which was sold during the period and provided a small trading income of \$6,897.

The most significant event, however, for Sefton during the last few months has been the signing of an agreement with the Bank of the West for a \$10m line of credit. We have started to draw down an initial \$1.5m, which will be invested in the development program at Tapia. The Tapia oil field is the major source of production and revenue for our wholly owned subsidiary, TEG USA. With the new financing we are able to advance our drilling and steaming programmes at this field. A rig will be on site in the next couple of weeks and two wells will be drilled on the Hartje lease, which is the site of some of our best wells.

In addition we are preparing to start cyclic steaming at two wells located on the Yule Lease. This Pilot Steam Test will provide invaluable data for planning our full scale steam programme. Oil produced from the steaming, and any new wells drilled, will move a significant amount of oil reserves into the Proved Producing reserves category and increase the value of our operations accordingly.

Once cash flow from the Tapia project increases, we will be able to pursue other opportunities at Eureka Canyon. These include the drilling of one infill well within the current producing area and conducting the second phase of the geochemical mapping of Eureka's exploratory area.

At TEG MidContinent, we continue to believe that the opportunities are extensive, but still take a cautious approach, selectively focusing on prime acreage in our lease acquisition programme and undertaking geologic and engineering studies. There has been increased industry activity adjacent to our leased areas, the results of which support our belief in the areas potential. Our acreage covers both oil and gas possibilities and is close to both existing pipelines and drilling programs carried out by other operators in the area. We believe that the best way forward will be with joint venture partners, but this must be the right partnership for Sefton, allowing us to recoup some of our investment and providing capital for drilling. We are currently in discussions with a number of potential joint venture partners for developing both our Leavenworth and Anderson/Franklin County assets. We will not make a decision until we find the right partner, as this will be crucial to the Company reaping the reward for

its far sighted acquisition programme, which has been carried out during the last few years.

We are now in an excellent position to start moving forward. The financing, which has previously held back Sefton's development, is now in place. The terms are very satisfactory and the draw down opportunities will increase as drilling and steaming increase our production and reserves. Providing the first phase of our drill and steaming program is successful we can look forward to developing the Snow, Yule, Hartje, and Lackie leases at Tapia during 2008.

Jeremy Delmar-Morgan Chairman 5 September 2007

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#### Consolidated Balance Sheets

	June 30, 2007 (unaudited)	June 30, 2006 (unaudited)	December 31 2006 (audited)
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ASSETS			
CURRENT ASSETS:			
Cash	\$ 135,410	\$ 148,350	\$ 68,923
Accounts receivable	192,735	578,223	372,174
Other receivables - related party	108,185	42,058	90,577
Prepaid expenses and other assets	1,975	31,223	19,849
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Total current assets	438,305	799,854	551,523
OIL and GAS PROPERTIES FULL COST METHOD, net	7,861,600	7,386,719	7,517,673
EQUIPMENT AND VEHICLES, net	43,410	58,883	47,957
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TOTAL ASSETS	<u>\$ 8,343,315</u>	<u>\$ 8,245,456</u>	\$8,117,153
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**LIABILITIES AND STOCKHOLDERS' EQUITY**

## CURRENT LIABILITIES:

Accounts payable	\$ 406,391	\$ 536,326	\$ 484,443
Accrued expenses	47,991	8,847	35,581
Accrued expenses - related parties	77,884	78,895	25,000
Note payable, current portion	163,825	-	128,810

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Total current liabilities 696,091 624,068 673,834

## NOTES PAYABLE:

Note payable	681,485	910,100	705,056
Note payable - related party	-	270,160	-

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681,485 1,180,260 705,056

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Less discount - -78,463 -

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681,485 1,101,797 705,056

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ASSET RETIREMENT OBLIGATION 134,440 162,167 134,440

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Total liabilities 1,512,016 1,888,032 1,513,330

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**STOCKHOLDERS EQUITY:**

Common stock, no par value, 200,000,000 shares authorized, 115,109,527 shares issued and outstanding	12,790,863	12,026,845	12,742,521
Stock subscription receivable	-30,047	-30,047	(30,047)
Treasury stock	-58,602	-58,602	(58,602)
Accumulated (deficit)	-5,870,915	-5,580,120	(6,050,049)
Accumulated other comprehensive income/loss	0	-652	-
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Total stockholders' equity	6,831,299	6,357,424	6,603,823
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TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 8,343,315	\$ 8,245,456	\$8,117,153
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## Consolidated Statement of Operations

	For the Six Months Ended		For the Year Ended
	June 30, 2007 (unaudited)	June 30, 2006 (unaudited)	December 31, 2006 (audited)
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REVENUES:			
Oil and gas sales	\$ 1,276,127	\$ 1,508,114	\$ 2,696,180
COSTS AND EXPENSES:			
Oil and gas production	274,967	356,104	833,716
Depletion and depreciation	149,000	82,323	314,145
General and administrative	644,434	785,689	1,478,696
Share based compensation	-	-	447,957
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	1,068,401	1,224,116	3,074,514
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INCOME (LOSS) FROM OPERATIONS	207,726	283,998	-378,334
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OTHER INCOME (EXPENSE) :			
Interest income	66	6,231	6,738
Interest expense	(28,658)	(114,582)	(186,247)
Income from TEG Canada	-	-	6,894
Gain on sale of TEG Canada	-	-	14,865
Foreign currency transaction exp	-	-	(56,693)
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	(28,592)	(108,351)	(214,443)
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NET INCOME (LOSS)	\$ 179,134	\$ 175,647	\$ (592,777)
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Basic and diluted gain (loss) per common share	0.0016	0.0016	(0.0058)
Basic and Diluted Weighted average shares outstanding	115,109,527	1,629,158,744	115,109,527
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## Consolidated Statement of Cashflows

	For the Six Months Ended		For the Year
	June 30,	June 30,	Ended
	2007	2006	December 31,
	(unaudited)	(unaudited)	2006
			(audited)
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CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income			
(loss)	\$ 179,134	\$ 175,647	\$ (592,777)
Adjustments to reconcile net income			
(loss) to net cash from			
(used in) operating activities:			
Depletion and depreciation	149,000	82,323	314,145
Amortization of discount on		78,463	119,000
convertible notes payable			
Compensation expense related to stock		-	447,957
options			
Gain on disposal of subsidiary		-	(14,866)
Changes in operating assets and			
liabilities:			
Accounts receivable	161,831	(309,324)	96,324
Prepaid expenses	17,874	13,507	27,438
Other assets - related party	-	(19,541)	(68,060)
Accounts payable	(78,052)	202,466	(241,344)
Accrued expenses - related party	52,884	19,269	(54,058)
Accrued expenses	12,410	7,368	11,893
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Net cash provided by (used in)	495,081	250,178	45,652
operating activities	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of			
oil and gas			
properties	(488,380)	(382,766)	(738,790)
Purchase of			
property and			
equipment	-	(26,249)	(27,492)
Acquisition of			
minority			
interest -			
Canada	-	(36,484)	-
Proceeds from			
disposal of			
subsidiary	-	-	284,728
Net cash			
transferred			
with			
subsidiary	-	-	(18,060)
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Net cash (used) by investing	(488,380)	(445,499)	(499,614)
activities	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from			
notes payable	11,442	242,005	376,315
Payments on			
notes payable	-	(41,059)	-75,176
Proceeds from			

sale of common stock	48,342	42,305	38,944
Net cash provided by financing activities	59,784	243,251	340,083
EFFECT OF EXCHANGE RATE CHANGES ON CASH	-	(25,689)	56,693
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	66,485	22,241	(57,186)
CASH AND CASH EQUIVALENTS , BEGINNING OF YEAR	68,923	126,109	126,109
CASH AND CASH EQUIVALENTS, END OF PERIOD	135,408	148,350	\$ 68,923

## Notes to Consolidated Financial Statements

1. The financial results for the half-year to 30 June 2007 and the comparatives to 30 June 2006 are both unaudited. The financial information for the year to 31 December 2006 has been extracted from the full audited financial statements. The financial statements presented in the 30 June 2007 interim statement incorporate by reference the full audit report that is available in the Company's annual report from 31 December 31 2006.
2. The June 30, 2007 statements do not include the Canadian Balance sheet items in consolidation or the Canadian operations as a result of the sale of TEG Oil & Gas Canada Inc. (Note 5). All other financial information included in this document has been prepared on a consistent basis and using the same accounting policies as the audited financial statements for the year to 31 December 2006 and has been approved by the Board of Directors of the Company.
3. The reporting currency of the Company is the U.S. dollar. The functional currency of the Company's Canadian subsidiary was the Canadian dollar. Translation into U.S. dollars is performed for assets and liabilities at the exchange rate as of the balance sheet date. Income and expense accounts are translated at average exchange rates for the reporting period. Adjustments resulting from the translation are reflected as a separate component of other comprehensive income. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the results of operations as incurred.
4. On February 15, 2006 the Sefton Board of Directors authorized the acquisition of shares in TEG Oil & Gas Canada, Inc. owned by minority interests. This was completed with an offer to all TEG Oil & Gas Canada shareholders by way of an exchange of Sefton shares for their shares owned in TEG Oil & Gas Canada, Inc. or effective repayment of original investment. As of March 31, 2006, TEG Oil & Gas Canada became a 100% wholly owned subsidiary of Sefton

Resources, Inc.

5. On June 30, 2006 TEG Oil & Gas Canada Inc. was sold by Sefton Resources, Inc. for \$450,000.00 (Canadian) and 100% of the shares of TEG MidContinent, Inc. The effective date of sale was May 1, 2006
6. As discussed in Note 5, TEG Oil & Gas Canada was sold effective May 1, 2006 and oil and gas operations costs have been included in the 2006 statements. Canadian oil and gas production costs consist of actual figures through April 30, 2006
7. In accordance with Emerging Issues Task Force Issue No.98 ("EITF 98-5"), "Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios" and EITF Issue No. 00-27, Application of Issue No 98-5 to Certain Convertible Instruments, the Company recognized the advantageous value of conversion rights attached to convertible debt as a discount to the related debt and an addition to capital in excess of par value. As the market price exceeded the conversion price a beneficial conversion feature of \$157,000 was recorded at issuance. Amortization of the discount of \$78,463 is included in interest expense for the period ended June 30, 2006.
8. Copies of the Interim Statement will be sent to shareholders in October 2007. Copies of the Interim Statement will be available from the Company Secretary, Masons Secretarial Services Limited, 30 Aylesbury Street, London EC1R 0ER.