

**Sefton Resources, Inc.**  
**(“Sefton” or the “Company”)**

**Sefton Provides Operations Update and Reports 6-Month Period Financial Results**

17 August 2010

Sefton Resources, Inc. (AIM: SER), an independent exploitation and production company with assets in the East Ventura Basin of California and the Forest City Basin of eastern Kansas, today provides a 6-month period operations and financial results update.

**Six-month 2010 Period Financial Results (in US\$)**

The Company reported oil and gas sales for the six-month period ended June 30, 2010 of \$1.8 million, versus \$1.3 million in the comparable six-month period in 2009, an increase of 39%. The Company reported net income for the first six months of 2010 of \$335,000, or \$0.00 per share, compared with a net loss of \$203,000, or \$0.00 per share, for the same period in 2009.

Sefton's total general and administrative expense declined by 11% in the 2010 six-month period to \$680,000, as compared to \$761,000 in the prior-year period.

Included in the 2010 costs and expenses was approximately \$231,000 in depreciation, depletion and amortization (DD&A), as compared to \$214,000 in 2009. Production expense during the 2010 six-month period was \$295,000, as compared to \$264,000 in 2009. For the six-month period 2010, net cash provided by operations was \$600,000, as compared to net cash used in operations of \$622,000 for the same period of 2009.

Total assets were \$18.4 million at June 30, 2010, as compared to \$18.1 million at December 31, 2009. Stockholders' equity at June 30, 2010 was \$8.7 million at June 30, 2010, as compared to \$7.6 million at December 31, 2009. The Company's working capital at June 30, 2010 was \$229,000, as compared to a working capital deficit of \$354,000 at December 31, 2009. Long-term debt associated with Sefton's revolving line of credit was \$6.9 million at June 30, 2010, and is unchanged from December 31, 2009.

**Production and Prices Received**

For the six-month period ended June 30, 2010, Sefton produced approximately 28,000 barrels of oil, as compared to 33,000 barrels of oil in the 2009 comparable reporting period. The average oil price realization for the 2010 six-month period improved to \$70.65 per barrel, a 65% increase when compared to the \$42.86 per barrel received in the 2009 period. Sefton's first-half 2010 production base was 100% crude oil.

During the six-month period of 2010, Sefton's total capital expenditure investment for development and exploration of its leasehold was \$807,000, as compared to \$1.8 million in 2009, when the Company drilled three new wells and added additional infrastructure associated with its cyclic steaming program. During the 2010 period, the Company drilled no new wells, but instead focused its capital investment on cyclic steaming of existing wells.

**Operations Update**

***Cyclic Steaming***

Sefton continued its field-wide cyclic steaming program through the first quarter of 2010. The results thus far show a significant response to steam stimulation. The results for individual wells, however, are highly variable. Initial results indicate that smaller steam cycles of 6,000 to 8,000 barrels of steam equivalent injected appear to have a post-steam stimulation life of about 3+ months. More recent injection cycles into Hartje #13 and #11 were increased in volume as Sefton strives to steadily increase monthly production over the long term.

Sefton completed its initial cyclic steaming pilot program with the return to production of the Hartje#11 well in early June 2010. Preliminary production tests indicate that the Hartje#11 was producing approximately 15 to

19 barrels of oil per day (BOPD) by the end of June, showing a good response to cyclic steaming. Prior to steaming the well produced 2.5 to 3 BOPD, indicating a 5-fold increase due to steam stimulation. Approximately 12,000 barrels of steam were injected into this well and the Company is closely monitoring the well to determine if larger steam injection volumes lengthen the stimulated oil production cycle.

Sefton is preparing a detailed engineering study for permit submittal to the State of California Division of Oil Gas and Geothermal Resources (DOGGR) to begin a short term, six-month steam flood injection study on the Hartjelease. Before incurring large capital costs associated with a field-wide steam-flood, Sefton is proposing to inject steam continually into a well in the central area of the field. The proposed injection well is currently fallow and requires limited liner work prior to converting it to a dedicated steam injector. The injection well is surrounded by six producing wells that can benefit from the injection in both heat and in pressure support. Sefton will compare the results economically with that of the cyclic program. Cost savings from pulling wells for pumps and steam packers could be significant. By addressing this in a smaller area of the field first, Sefton could also save significant costs associated with a full steam flood of the field.

Also at Tapia Field, limited production declines were incurred toward the end of June 2010 as a refurbished pumping unit from filed inventory was installed on the Hartje#12. The Hartje#12 well is back on production and is producing 12 to 15 BOPD in July 2010. Sefton is currently optimizing work in the field as it looks to eliminate any marginally economic projects in order to cut costs and maximize return on invested capital.

For the second year in a row, Sefton received the award for “*Outstanding Oilfield Lease and Facility*” from the California DOGGR. Sefton representatives accepted this award at the annual API Student Scholarship and Awards Dinner in May 2010. The Company wishes to acknowledge the valuable contributions and efforts of all field personnel, in particular its Operations Manager, Mr. Bill Yates, who continues to diligently manage the Tapia Field with careful attention to detail and field efficiencies.

#### **MidContinent**

During the first six months of 2010, the Company continued its work on select midstream infrastructure acquisitions. The Company is also in discussions with significant mineral owners in the eastern Kansas region who are seeking to utilize capacity on Sefton's Vanguard pipeline asset once it is reactivated. The Company will update investors as to the progress of these negotiations as details become available. Sefton continues to evaluate joint venture opportunities and midstream acquisitions that can add to its core eastern Kansas operating area.

#### **Management Comment**

“Financially, we are pleased to report a strong six-month period with good cash flow and net income for the period as a result of steady production sold at higher average oil prices,” said Sefton's CEO John James Ellerton. “We completed our initial cyclic steam pilot program during the first half of 2010 and are now analyzing the results. Of particular interest is the response from higher quantities of steam that we injected in the latter part of the program. Our focus is to optimize field-wide economics by balancing capital investment and maximizing oil production. There is an economic threshold in the field that will be determined once the results of the pilot program have been analyzed. Reservoir characteristics indicate that quantities of steam required to produce the best response vary on a well-by-well basis and the company is taking this into account in the ongoing program.

#### **Credit Facility Reaffirmed**

As previously announced, Sefton has reaffirmed and extended its reserve-based revolving line of credit. The \$10 million facility with Bank of the West and currently has a borrowing base of \$7 million, reflecting the maximum amount that may be outstanding under the credit facility. The facility has been reaffirmed and extended for six additional months and will next be reviewed in February 2011. Loans made under this revolving credit agreement are secured by mortgages on substantially all of the Company's oil and gas properties. The credit facility is available to provide funds for the exploration, development and/or acquisition of oil and gas properties, to refinance existing indebtedness and for working capital and other general corporate purposes. The Company was in compliance with all of its ratios and covenants as of June 30, 2010.

#### **Subsequent Events**

### **Annual General Meeting of Shareholders**

The Company's annual general meeting of shareholders is to be held in Denver, Colorado on September 30, 2010 at 10:00 AM MDT at the offices of the Company. Sefton also intends to update its United Kingdom shareholder base in London shortly after the annual general meeting. Details regarding the U.K. update will be announced at a later date.

### **John James Ellerton Appointed as Acting Chairman of the Board of Directors**

With the recently announced resignation of Jeremy Delmar-Morgan from Sefton's Board of Directors, Mr. Ellerton has been appointed as acting Chairman of the Board of Directors of Sefton Resources until the annual general meeting of shareholders. As previously announced, the Company also appointed two new independent non-executive Directors, Mr. Karl F. Arleth and Mr. Mark R. Smith. Both gentlemen will serve on the remuneration and audit committees and will stand for re-election at the upcoming annual general meeting.

### **Enquiries**

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### **Note:**

The information in this release has been compiled and reviewed by Harry Barnum, a Director of Sefton, who is a qualified person for the purposes of the AIM Guidance Note for Mining, Oil and Gas Companies. Mr. Barnum has Bachelors and Masters Degrees in Geology and over 20 years of experience in the oil and gas industry. He is a registered professional geologist in the State of California.

Sefton Resources is an AIM listed oil and gas production company. Its main core area of activity is in the East Ventura Basin in California, where it owns 100% of two oil fields, Tapia Canyon (heavy gravity oil) and Eureka Canyon (medium gravity oil), both of which have over twenty years of expected production life. In addition, Sefton has over 45,000 acres in the Forest City Basin of Eastern Kansas where Coal Bed Methane gases, as well as conventional oil and gas deposits, are targets.

Half Yearly Accounts to 30 June 2010

### **SEFTON RESOURCES, INC. AND SUBSIDIARIES**

### **CONSOLIDATED BALANCE SHEETS**

	<b>June 30, 2010 (unaudited)</b>	<b>June 30, 2009 (unaudited)</b>	<b>December 31 2009 (audited)</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$ 90,681	\$ 72,565	\$ 297,887
Accounts receivable	319,456	272,986	300,327
Other receivables - related party	331,632	312,675	323,373

Prepaid expenses and other assets	26,975	26,975	26,975
Total current assets	768,744	685,201	948,562
<b>OIL And GAS PROPERTIES FULL COST METHOD, net</b>	17,664,583	16,228,085	17,172,699
<b>EQUIPMENT AND VEHICLES, net</b>	9,448	20,520	15,114
<b>TOTAL ASSETS</b>	<b>\$ 18,442,775</b>	<b>\$ 16,933,806</b>	<b>\$ 18,136,375</b>
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable	\$ 270,509	\$ 446,656	\$ 274,062
Accrued expenses	20,600	22,922	173,133
Accrued expenses - related parties	154,116	76,000	179,605
Retirement obligation - current portion	0		654,854
Notes payable, current portion	94,086	170,958	21,452
Total current liabilities	539,311	716,536	1,303,106
<b>NOTES PAYABLE:</b>			
Note payable	466,874	390,000	539,505
Note payable - bank	6,894,867	5,844,867	6,894,867
	7,361,741	6,234,867	7,434,372
<b>RETIREMENT OBLIGATION</b>	632,313	1,202,109	568,802
<b>ASSET RETIREMENT OBLIGATION</b>	1,209,231	1,164,263	1,209,231
Total liabilities	9,742,596	9,317,775	10,515,511
<b>STOCKHOLDERS EQUITY:</b>			
Common stock, no par value, 200,000,000 shares authorized, 130,061,379 shares issued and outstanding	14,267,370	13,428,127	13,522,850
Stock subscription receivable	-30,047	-30,047	(30,047)
Treasury stock	-66,393	-66,393	(66,393)
Accumulated (deficit)	-5,470,751	-5,715,656	(5,805,546)
Total stockholders' equity	8,700,179	7,616,031	7,620,864
<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>	<b>\$ 18,442,775</b>	<b>\$ 16,933,806</b>	<b>\$ 18,136,375</b>

**SEFTON RESOURCES, INC. AND  
SUBSIDIARIES**

**CONSOLIDATED STATEMENTS  
OF OPERATIONS**

	Six Months Ended June 30, 2010 (unaudited)	Six Months Ended June 30, 2009 (unaudited)	Year Ended December 31, 2009 (audited)
<b>REVENUES:</b>			
Oil and gas sales	\$ 1,822,220	\$ 1,312,221	\$ 2,739,282
<b>COSTS AND EXPENSES:</b>			
Oil and gas production	294,679	263,889	617,042
Depletion and depreciation	230,666	213,700	484,554
General and administrative	680,055	760,067	1,379,483
Share based compensation	89,666	101,500	196,223
	<u>1,295,066</u>	<u>1,339,156</u>	<u>2,677,302</u>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<u>527,154</u>	<u>-26,935</u>	<u>61,980</u>
<b>OTHER INCOME (EXPENSE):</b>			
Interest income	3,726	-	-
Other income	-	-	-
Interest expense	(132,576)	-86,530	(243,786)
Retirement liability	(63,511)	-90,000	(111,547)
	<u>(192,361)</u>	<u>(176,530)</u>	<u>(355,333)</u>
<b>NET INCOME (LOSS)</b>	<u>\$ 334,793</u>	<u>\$ (203,465)</u>	<u>\$ (293,353)</u>
<b>Basic and diluted gain (loss) per common share</b>	0.0026	(0.0017)	(0.0025)
<b>Basic and Diluted Weighted average shares outstanding</b>	<u>130,061,379</u>	<u>116,570,546</u>	<u>116,753,312</u>

**SEFTON RESOURCES, INC.  
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS  
OF CASH FLOWS**

	<b>Six Months Ended</b>	<b>Six Months Ended</b>	<b>Year Ended December 31,</b>
	<b>June 30, 2010</b>	<b>June 30, 2009</b>	<b>2009</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(audited)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income			
(loss)	\$ 334,793	\$ (203,465)	\$ (293,353)
Adjustments to reconcile net income (loss) to net cash from (used in) operating activities:			
Depletion and depreciation	230,666	213,700	484,554
Compensation expense related to stock options	89,666	101,500	196,223
Changes in operating assets and liabilities:			
Accounts receivable	(19,129)	178,278	150,937
Prepaid expenses and other	-	-	-
Other receivables - related party	8,259	(39,635)	(50,333)
Accounts payable	(3,553)	(492,821)	(665,415)
Accrued retirement obligation	63,511	90,000	111,547
Accrued expenses - related party	(25,489)	(145,083)	(41,478)
Accrued expenses and other	(62,862)	(324,586)	(174,376)
Net cash provided by (used in) operating activities	<u>599,344</u>	<u>-622,112</u>	<u>-281,694</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of oil and gas properties	(716,884)	(1,841,281)	(3,006,786)
Purchase of property and equipment	(89,666)	(1,643)	(1,233)
Net cash (used) by investing activities	<u>(806,550)</u>	<u>(1,842,924)</u>	<u>(3,008,019)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from notes payable	-	2,398,019	3,458,354
Payments on notes payable	-	(30,222)	(40,558)
Proceeds from sale of common stock	-	72,447	72,447
Purchase of treasury stock	-	-	-
Net cash provided by financing activities	<u>-</u>	<u>2,440,244</u>	<u>3,490,243</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(207,206)</u>	<u>(24,792)</u>	<u>200,530</u>
<b>CASH AND CASH EQUIVALENTS , BEGINNING OF YEAR</b>	<u>297,887</u>	<u>97,357</u>	<u>97,357</u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u>90,681</u>	<u>72,565</u>	<u>297,887</u>

## Notes to Consolidated Financial Statements

1. The financial results for the half-year to 30 June 2010 and the comparatives to 30 June 2009 are both unaudited. The financial information for the year to 31 December 2009 has been extracted from the full audited financial statements. The financial statements can be viewed at [www.seftonresources.com](http://www.seftonresources.com).
2. The 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 2009 and has been approved by the Directors of the Company.
3. There was no dividend paid in the reporting period.
4. Copies of the Interim Statement will be sent to shareholders as part of the Annual Report. Copies of the Interim Statement will be available from the Company Secretary, Pinsent Masons, CityPoint, 1 Ropemaker Street, London EC2Y 9AH.