

Sefton Resources, Inc.

(“Sefton” or “the Company”)

Results for the six months to 30 June 2005

Chairmans Statement

As I reported at the start of the current year, progress had been hampered by the exceptional rainfall in California during January and February, which delayed our drilling programme. I am now pleased to be able to report that we have made up the lost ground and we are back on track. We have successfully completed the drilling of five new wells at Tapia and by August the Group was producing the 200 BOPD that we expected to achieve by the end of 2005. Unfortunately we received no benefit from this progress during the first half of the year, when we were investing in the drilling programme and increasing our asset base, with the acquisition of mineral leases in the Kansas Forest City Basin.

To help fund the asset acquisitions in East Kansas, which is primarily Coal-Bed Methane gas, we initiated a private placing of shares in our Canadian subsidiary. However, we will retain the controlling interest when the private placing is completed. The acquisition is an excellent fit into our existing leases in Kansas. It consists of 20 miles of pipeline, a 25 mile gathering system and 65 wells, of which 42 are classified active wells. Due diligence has been completed and the closing date is now 21 September 2005.

As I have already mentioned the five new well drilling programme at Tapia has been completed and initial production from the final well began in August. The field has also received an electrical upgrade to maximise production and will see the start of our Steam Assisted programme in the autumn.

At Eureka workovers on a centrally located well involving carbon-oxygen logging techniques has resulted in the identification of additional producing zones. Re-mapping is planned of the existing production areas and the relatively unexplored portion of our lease, which covers some 1,000 acres.

The weather at the start of the year was a major challenge to our team, but the results from the drilling programme have more than justified our previous confidence. I believe that we have taken a major stride forward in putting Sefton on a more solid financial footing.

John J Ellerton – Chairman and Chief Executive Officer
September 7, 2005

Sefton Resources Inc

Consolidated Balance Sheets

	30 June 2005 (unaudited)	30 June 2004 (unaudited)	31 December 2004 (audited)
Assets			
Current assets			
Cash	\$516,231	\$375,113	\$2,485,513
Accounts receivable	140,906	123,171	59,200
Other receivables – related party (Note 9)	88,286	146,781	157,973
Prepaid expenses and other assets	19,062	32,434	41,914
Total current assets	764,485	677,499	2,744,600
Oil and gas properties, full cost method, net (Notes 4 and 10)	7,336,000	3,871,768	4,325,195
Equipment and vehicle, at cost, net	58,903	50,856	44,756
Total assets	\$8,159,388	\$4,600,123	\$7,114,551
Liabilities and Stockholders' Equity			
Current liabilities			
Accounts payable (Note 10)	\$1,710,036	\$297,304	\$438,382
Accrued expenses	29,556	34,482	2,697
Accrued expenses – related parties	-	-	46,871
Note payable, current portion	-	20,000	-
Notes payable, related party	-	11,170	-
Total current liabilities	1,739,592	362,956	487,950
Note payable, long term (Note 9)	533,749	350,000	348,554
Asset retirement obligation	292,612	232,529	75,340
Total liabilities	2,565,953	945,485	911,844
Minority Interest (Note 6)	407,865	-	-
Stockholders' equity			
Common stock, no par value, 3,000,000,000 shares authorised, 1,493,369,500 (June 30, 2005) 968,369,500 (June 30, 2004) and 1,493,369,500 (December 31, 2004) shares issued and outstanding (Note 6)	10,974,689	7,761,885	10,922,853
Stock subscription receivable	(30,047)	(30,047)	(30,047)
Stock reserved for employee benefit pool (Note 9)	(58,602)	-	-
Accumulated (deficit)	(5,797,961)	(4,123,781)	(4,789,335)
Accumulated other comprehensive income (Note 3)	97,491	46,581	99,236
Total stockholders' equity	5,185,570	3,654,638	6,202,707
Total liabilities and stockholders' equity	\$8,159,388	\$4,600,123	\$7,114,551

Sefton Resources Inc
Consolidated Statements of Operations and Comprehensive Income (Loss)

	For the six months ended June 30 2005 (unaudited)	2004 (unaudited)	For the year ended December 31 (audited)
Revenues			
Oil and gas sales	\$371,414	\$281,197	\$563,231
Cost and expenses			
Oil and gas production costs	204,947	145,991	402,425
Depletion, Depreciation and Amortisation	98,013	105,913	166,662
General and administrative expenses	815,994	453,989	1,085,407
Establishment of employee benefit plan (Note 9)	266,735	-	-
	<u>1,385,689</u>	<u>705,893</u>	<u>1,654,494</u>
(Loss) from operations	<u>(1,014,275)</u>	<u>(424,696)</u>	<u>(1,091,263)</u>
Other income (expense)			
Interest income	13,911	589	10,464
Interest expense	(8,262)	(527)	(11,203)
Foreign currency transaction exp	-	1,202	3,016
	<u>5,649</u>	<u>1,264</u>	<u>2,277</u>
Net (loss) available for common stockholders	<u>\$(1,008,626)</u>	<u>\$(423,432)</u>	<u>\$(1,088,986)</u>
Basic and diluted (loss) per common share:	(0.001)	(0.001)	(0.001)
Basic and diluted weighted average shares outstanding	1,493,369,500	928,123,346	1,133,348,189
Other comprehensive gain (loss):			
Net (loss)	\$(1,088,626)	\$(423,432)	\$(1,088,986)
Foreign currency translation adjustment (Note 3)	(1,745)	(20,570)	32,085
Comprehensive (loss)	<u>\$(1,010,371)</u>	<u>\$(444,002)</u>	<u>\$(1,056,901)</u>

Sefton Resources Inc
Consolidated Statements of Cash Flows

	For the six months ended June 30		For the year ended December 31,
	2005 (unaudited)	2004 (unaudited)	2004 (audited)
Cash flows from operating activities			
Net (loss)	\$(1,008,626)	\$(432,432)	\$(1,088,986)
Adjustments to reconcile net (loss) to net cash (used in) operating activities			
Depreciation and depletion	98,013	105,913	166,662
Establishment of employee benefit plan (Note 9)	266,735	-	-
Stock issued for services	-	-	19,349
Stock options issued for services	-	-	49,000
(Increase) decrease in:			
Accounts receivable	(81,706)	(23,769)	40,202
Prepaid expenses	22,852	(3,528)	(13,008)
Other assets – related party	69,687	(108,255)	(119,447)
Increase (decrease) in:			
Accounts payable	1,271,654	(355,472)	(214,394)
Accrued expenses – related party	(46,871)	(21,840)	25,031
Accrued expenses	26,859	29,404	(2,381)
Net cash (used) provided by operating activities	618,597	(809,979)	(1,137,972)
Cash flows from investing activities			
Proceeds from sale of oil and gas properties	-	-	23,824
Purchase of oil and gas properties (Note 10)	(2,880,040)	(603,664)	(1,274,028)
Purchase of property and equipment	(25,653)	(21,022)	(25,356)
Establishment of Employee Benefit Pool (Note 9)	(325,337)	-	-
Net cash (used) by investing activities	(3,231,030)	(624,686)	(1,275,560)
Cash flows from financing activities			
Proceeds from sale of common stock	-	1,065,489	4,158,109
Collection of stock subscription receivable	-	11,433	11,432
Proceeds from sale of common stock of subsidiary company (Note 6)	459,701	-	-
Payments on notes payable – related party	-	(10,836)	(22,006)
Proceeds from notes payable (Note 9)	325,337	400,000	370,000
Payments on notes payable (Note 9)	(140,142)	(57,500)	(48,946)
Net cash provided by financing activities	644,896	1,408,586	4,468,589
Effect of exchange rate changes on cash (Note 3)	(1,745)	29,504	67,768
Net increase (decrease) in cash	(1,969,282)	12,425	2,122,825
Cash – beginning of year	2,485,513	362,688	362,688
Cash – end of period	\$516,231	\$375,113	\$2,485,513

Notes to Consolidated Financial Statements

1. The financial results for the half-year to 30 June 2005 and the comparatives to 30 June 2004 are both unaudited. The financial information for the year to 31 December 2004 has been extracted from the full audited financial statements. The financial statements presented in the 30 June 2004 interim statement incorporate by reference the full audit report that is available in the Company's annual report from 31 December 31 2004.
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 2004 and has been approved by the 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 is 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 24 August 2004, Teg MidContinent, Inc. was formed as a wholly owned subsidiary of Sefton Resources, Inc. Teg MidContinent has and will continue to acquire oil and gas properties in the Mid-Continent and Rocky Mountain Regions of the United States. The initial assets acquired were oil and gas mineral leases in the Forest City Coalbed Methane Basin portion of eastern Kansas. In addition, a purchase and sale agreement has been executed to acquire wells, leases, a gas pipeline and gathering system together with associated equipment in eastern Kansas. These properties are being acquired for approximately \$1,800,000 (United States Dollars) and the closing is set for September 21, 2005
5. On April 1, 2005, Sefton Resources, Inc. sold Teg MidContinent, Inc. to Teg Oil and Gas, Canada, Inc. (Teg Canada) for \$500,000 (United States Dollars), 2,000,000 shares of the common stock of Teg Canada and the assumption of all future costs and expenses related to Teg MidContinent, Inc.
6. In May 2005, the Board of Directors of Teg Canada approved the issuance of up to 6,000,000 shares of Teg Canada at a price of \$0.25 (Canadian Dollars) per share. As of June 30, 2005 subscriptions for 3,114,098 shares of this private placement had been signed, and the Company had received cash of \$459,701.
7. Canadian oil and gas production costs consist of actual figures for the first quarter of 2005 and include an estimate for the second quarter of 2005. The second quarter estimate of oil and gas production costs is 60% of second quarter gross revenue accruals. This cost estimate is necessary due to a lag in receiving actual revenue, and cost data and is consistent with the presentation for the half-year to 30 June 2004.
8. There was no dividend paid in the reporting period.

9. During the half-year to 30 June 2005, the Board approved the establishment of an employee benefit and incentive plan. This plan may include cash, a net profits interest from production, stock, and other items which the Board may elect to contribute. Distributions to employees will be accumulated and issued at the sole discretion of the Board of Directors of Sefton Resources, Inc. Initially, a note payable to an original shareholder for the acquisition of 6,092,021 shares of Sefton's common stock was acquired from a director. During the half-year to 30 June, 2005, the Company paid \$73,180 of principal by reducing the receivable from this director and an additional \$16,962 in cash resulting in a balance due on the note of \$235,195 as of 30, June 2005. In addition, the establishment of this plan resulted in a cost of \$266,735 as reflected in the accompanying financial statements. This transaction will be reviewed by the Auditors at year-end to ensure the accounting is in accordance with US GAAP. There have been no distributions from this plan to employees through 30 June, 2005.
10. The cost overruns in the recent Tapia Drilling Program are being resolved through; re-imburements from TEG Oil & Gas Canada Inc., loans from Directors and associates, increased revenue from production and potential bank borrowing.
11. Copies of the Interim Statement will be sent to shareholders in October 2005. Copies of the Interim Statement will be available from the Company Secretary, Masons Secretarial Services Limited, 30 Aylesbury Street, London EC1R 0ER.

For more information, please contact:
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