SEFTON RESOURCES, INC.

OIL AND GAS PRODUCTION NEWSLETTER • OCTOBER 2011

Big opportunities from well–priced acquisitions

Investors in Sefton Resources today are beginning to see the benefit of deals done when oil and gas prices were low. The history of the Company began in 1994 when the founder and now Executive Chairman Jim Ellerton acquired the Tapia Canyon field in California for a $100,000 loan note in a joint venture deal with two other companies. At that time oil was standing at around $20 a barrel. Subsequently Sefton bought out its partners and now boast an enviable 100% working interest in the Tapia Canyon field where the level of oil production has been built up which has allowed the Company to become profitable.

The board was seeking to get involved in a contrarian gas play, which would offer a bit of diversification with an alternative product in a different US state. A weakness in the US gas market caused by the oversupply of shale gas was used by Sefton to invest in both gas infrastructure as well as gas acreage in Kansas. Jim Ellerton had a good idea about what to buy as in the past one of his previous companies had owned some of these gas interests in Kansas. He knew of a corner of Kansas where there was not only big potential for Conventional gas and Coal Bed Methane (CBM) gas but critically there was also a route to market provided by two inter-state gas pipelines which crossed the area and allowed the gas to be nationally sold to the cities between San Francisco and Chicago (and beyond).

Rather than buy just gas acreage in Kansas, the Company has instead acquired three gas pipelines which form the route to market for gas from a region covering 200 square mile; and thereby have gained a stranglehold on a substantial area which is peppered with oil and gas wells. Now the team is in the process of reactivating these pipelines and joining these up to the interstate pipelines. In all something like $500,000 to $600,000 has been spent to date on acquiring, repairing and activating these pipelines and licence areas but the real value of these interests only became apparent to the market in recent months.

One day in May, following an announcement of the findings of a Competent Person's Report (CPR) on the infrastructure and gas interests in Kansas trading volumes soared and the Company looks like it may have attracted a whole new bunch of shareholders. That CPR report contained a valuation of these assets which seemed to wake up investors to the sort of potential of the opportunities that Sefton had in Kansas. Moving ahead the board is seeking to capitalise on these attractive situations.

By the year-end, the Board hope to have delivered on the goals they set Sefton for 2011 which were: to increase oil production from Tapia Canyon, to increase oil and gas reserves and gain cash flow from the gas infrastructure interests in Kansas. Read inside to find out how progress is going on the ground in both California and Kansas.

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Dear Investors,

A warm welcome from the founder and Executive Chairman

Welcome to the first edition of our investors' newsletter. This year is seeing the relaunch of Sefton Resources and with it a renewed attention to Investor Relations which includes the publication of a regular newsletter. The board is intent on getting the message out about Sefton's achievements and prospects ahead of what is likely to be a transformational period in the life of the company. The newsletter is intended to give investors an improved understanding of the business.

I would like to thank all shareholders for their continuing support.

Many thanks,
Jim Ellerton

Further editions of the newsletter will be posted on the website. If you want to know when the latest edition hits the street, send your email address to info@seftonresources.com and my team will make sure you get sent an alert.

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Laying the foundations for the creation of a growing business

In the first half of 2011, the operational team has been strengthened to manage a growing business, which has increased the cost base, but should be seen as an investment in the future. Interim results were announced at the beginning of September covering a period when the Company has made significant progress both in California and Kansas. Highlights of the first half included Sefton's mid-year Independent Engineering study showed total Proved Reserves at 3.77 million barrels, with a NPV10 (Net Present Value using a 10% discount factor) value of $136.76 million (£85 million), which represent a 24% increase since the year-end. Taken together with the results of the Competent Persons Report published by Dr Nafi Onat which placed a NPV10 value of $100.1 million (£62.5 million) on the East Kansas assets; means that all in all an NPV10 valuation of Sefton's reserves and resources have rose to $236.86 million which equates to £147.5 million.

Certainly this period also saw equity capital raised to acquire gas pipeline infrastructure and assets in Kansas, testing, repair and the activation began on two gas pipelines in Kansas to allow early cash flow. Whilst in California, the Directors initiated a continuous steam pilot programme at Tapia Canyon field, California; as well as commissioning Dr. Farouq Ali to evaluate full steam-flood potential for this field. The period also saw the share price gain some traction helped by the implemented a comprehensive IR programme to improve the company's profile in the Investment Community.

Looking at the numbers, oil and gas revenue increased on the back of higher oil prices. Sefton is in the midst of becoming a substantially larger business and as such, the management team has needed to be enlarged ahead of the expected increase in revenue. In the first half debt was reduced substantially and twice as much was invested in asset development leaving future cash flow for asset development. Whilst at the same time the commitment to Investor Relations has brought in additional costs, as there really wasn't any such programme in 2010, but this has led to improved liquidity and a higher share price. These important investments in the future of the company served to push costs higher and reduce income and earnings per share at the half-year stage. But the good news is that the bank extended its credit facility which now matures in June 2013.

Interim results snapshot Six months to 30 June

	2011 US$	*2010 US$*
Oil & gas revenue	2,028,000	1,934,000
Production and royalty costs	607,000	407,000
General and administrative expense	872,000	680,000
Operating profit	200,000	464,000
Net income	74,000	335,000
Net cash provided by operating activities	205,000	600,000
Earnings per share (fully diluted)	0.0003	0.0026
Realised oil price per barrel	102.83	70.65
Cash and cash equivalents	919,415	90.681
Capital expenditure	1,274,000	717,000

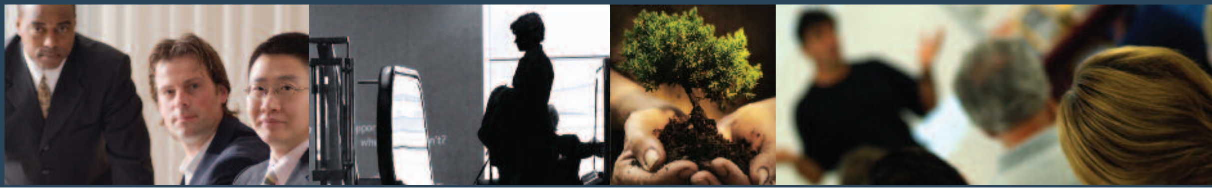
At that stage, Jim Ellerton, Executive Chairman pointed out that 2011 had seen the foundations laid for the creation of a growing business at Sefton Resources. He also added that operationally the company took a number of significant steps forward in securing additional capital to develop the Group's assets as well as pursuing opportunities to maximise revenues both in the near term and through projects which will deliver significant revenues in the future. Concerning the all-important news flow, Jim also mentioned that the Board looks forward to being able to announce the results of Dr Farouq Ali's thermal steam simulation study on the Tapia oil field in California as well as further evaluation of our Kansas holdings by Dr Nafi Onat.

Heavy Oil & Steaming – Explained

Executive Chairman Jim Ellerton has been in the heavy oil business since 1990 and started with heavy oil fields in Canada but was attracted to California as there was not just a year-round ready market for the product, but also a better price. A principle use of heavy oil is asphalt and unlike Canada, the warm climate of California allows them to repair their roads twelve months of the year.

The Tapia Canyon is a heavy oil field which is a type of crude oil that does not flow easily. One method of improving the flow rate and hence recovery is to heat the oil reservoir. The heat can be applied with the injection of steam to increase the temperature of the oil underground and reduce the viscosity and improve the recovery rate. Broadly there are two principal types of steam stimulation – cyclical and continuous. Cyclical steaming has been used since the 1950s in the oil fields of California and this method required steam to be is injected into a well for a period of weeks, then allowed to soak for a period of time so the heat percolates into the strata and then the less viscose oil is pumped out. Once the improvement in production begins to decline, the well needs to be steamed once again. This period between "cyclic steaming" varies and is determined on the initial amount of steam injected and the time allowed to soak.

Continuous steaming requires steam to be injected into a dedicated well that heats the reservoir and thereby boosts output from a series of production wells. In Sefton's constant steam stimulation pilot study, steam is being pumped down a central well to heat the reservoir in order to examine the effect on six surrounding production wells. This technique avoids down time of individual wells being steamed – by steaming a specific area, with wells benefiting from steaming elsewhere.



Good progress being made in California and Kansas

The management is now looking to grow the business on the back of the strong operational base coupled with robust balance sheet and good cash flows. The recent operational update showed that good progress is being made and also gave an outline to the likely news flow over the coming months.

From California there was news of strong oil price for heavy oil, the steam food pilot and the steam flood modelling study. That's not to mention a four well drilling program that could double production and that Occidental has been drilling close by. Well, there might have been a correction in the world crude oil prices in recent months but the California market has remained strong relative to NYMEX futures quotes and the trend has continued upward. At the end of August, oil from Tapia Canyon was fetching $103.80 a barrel which represents a premium to NYMEX ($89.10); whereas a year before the price received was $69.43 which represented a discount to NYMEX.

Steaming brings results

Stepping up the steaming is producing impressive results. In August, the rate of steam injection was pushed to an all-time high of 19,000 barrels which resulted in the production wellhead temperature rising to 190°F at an offset well, Hartje #18. Month on month, production from Hartje #18 climbed by 60% in August from 20 to 32 barrels of oil per day. On top of that, the static fluid level rose at another offset well, Yule #5, which serves to show an increase in local reservoir pressure. All of these factors are positive indications for the steam flood pilot study and the Board anticipates that these results should begin to spread to other offset well locations as more steam is injected into the subsurface.

Heavy oil expert Dr Ali Farouq is beavering away developing the steam flood model and the design for the field and his report is expected to be completed in October. His simulation studies are based on a full field computer geologic model from Petrel Robertson which has been completed. This cracking geological model involves 50 layers and more than 500,000 data grid cells.

More drilling

Sefton expects to begin a 4 well drilling program in November in the core areas of the field. The actual start date will depend on rig availability although the drilling permits are already in place. Additionally, the Company is planning liner replacements in two wells. A successful program will boost primary oil production significantly by the end of 2011.

Now for that Occidental story. Interest in the surrounding acreage looks to be increasing as less than a mile away from Tapia Canyon, Occidental's subsidiary Vintage Petroleum has just finished drilling two wells and is now evaluating the results. Geologists believe that this field is a virtual mirror image of Sefton's Tapia Canyon oil field in many respects and it is only separated from Tapia Canyon by a series of small faults.

New pipeline acquisition

Truth is that in Kansas, 40-50% of Sefton's target areas for development in Leavenworth County and those in the surrounding areas remain underexplored due to a lack of activity over the past ten years. The operations update brought investors up to speed on pipeline testing and repairs, a fourth pipeline acquisition, the Southern Star tap, gas production and a deal to carry third party gas.

The last two months have seen significant progress on the testing and repair of the LAGGS pipeline system. All repairs and final pressure testing in the North and West LAGGS is nearing completion and awaiting third party independent certification. At the moment the company is sensibly only repairing the sections of the South LAGGS line that are needed straight away.

Sefton has executed a non-binding letter of intent to acquire all of the assets of a gas production and transportation company in Leavenworth County. The vendor is currently producing gas through its pipeline system into a limited capacity municipal gas system; and certainly if closed this deal would immediately provide Sefton with additional wells, leases, gas production, reserves, cash flow and additional pipeline capacity to its existing pipeline infrastructure.

Southern Star tap

Now for that all important tap into an interstate pipeline. An agreement with Southern Star, the regulated interstate pipeline, to transport the Company's gas from Leavenworth County to national interstate markets is expected to be signed in late September. The construction is scheduled to take 4-6 months with completion expected in 1Q 2012, weather permitting and barring any additional regulatory delays.

Sefton is developing a recompletion program for existing wells that are currently non-producing wells, along the LAGGS pipeline system. In addition, the Company is continuing to buy more leases and inactive wells adjacent to the LAGGS pipeline. The majority of this "early production" along the LAGGS system is expected to be reclassified from possible to proven reserves once the wells are activated and the pipeline is operational.

Sefton intends to operate the pipeline system at close to optimum capacity (estimated at 10 million cubic feet per day) so as to maximise cash flow and earnings; and so plan to carry a significant volume of third party gas alongside the Company's own. Discussions have continued with another exploration and production company with a significant acreage position adjacent to the Vanguard pipeline concerning this matter.

New tricks

Sefton is using the proprietary geological data base, acquired from Cholla Production Company, to enhance and develop its own exploration program in Leavenworth County. The Company's residual trend surface mapping techniques have resulted in a paleo-restoration maps that have revealed a number of exploration leads in the Cretaceous McClouth Formation, which overlies the older Mississippian erosional (unconformity) surface. This analysis allows Sefton to locate and high-grade the best targets for oil and conventional gas. Coal bed gas, which exists in a widespread area over the acreage controlled by the Company, will provide solid secondary targets and will vastly reduce risk normally associated with the drilling and completion of new wells in the area.

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Beefing up the management team

"...focus on developing the Company's strategy, identification and evaluation of acquisition opportunities and investor relations"

In early August, Sefton was pleased to announce some changes to its management team. Karl F. Arleth has been appointed President and Chief Executive Officer. Karl joined the board as a Non-Executive Director in August 2010 although his history with Sefton goes further back then that as between 2001 to 2003 he was the Company's Chief Operating Officer. Karl is an oilman through and through who has more than thirty years' experience of both the domestic US and international oil and gas industry. His career has included some twenty years at Amoco/BP. Karl joins Sefton from Blue River Resources LLC, a Denver-based private oil and gas firm engaged in the acquisition and development of U.S. producing properties, where he served as Managing Partner.

Up until then, Jim Ellerton, Sefton's founder had temporarily been looking after both the roles of the Chairman and the CEO. Jim has now moved up to the role of Executive Chairman where he will focus on developing the Company's strategy, identification and evaluation of acquisition opportunities and investor relations. This is a role that Jim has had his eyes set on for some time as he wants to put Sefton firmly on a path of sustained growth for the coming years.

Also in August, Bill Brand was appointed as a Financial Consultant to the Company. Bill has held financial executive positions within both the international and domestic US oil and gas industry whilst working at the likes of HR Energy LLC, PetroHunter Energy Corporation, Galaxy Energy Corporation, Teton Energy Corporation, PRB Energy Inc., Monsanto Oil Company, and its successor, BHP Petroleum (Americas) Inc. Initially Bill will act as a part time consultant, but it is intended that he will assume the position of full time Chief Financial Officer by the end of April 2012 at the very latest.

At that time, Jim Ellerton commented: "I am delighted that Karl Arleth has become CEO as he brings with him tremendous oil and gas experience which will help in taking Sefton to the next level and beyond. We are also pleased that Bill Brand has joined the company as Financial Consultant. We also hope to strengthen the board of directors further during next twelve months."

New Nomad and Broker appointed

Sefton welcomes Northland Capital Partners as its new Nomad and joint broker. Northland provides a fully-integrated corporate advisory and institutional stockbroking services focused on small and mid-sized companies both in the UK and North America. As such it looks like a good fit for Sefton who will benefit by gaining institutional research coverage.

Our man in London

Earlier on this year we appointed Dr Michael Green as our UK-based Investor Relations consultant and his appointment gives investors a point contact within their own time zone. Michael is a specialist resources analyst that started working in the City in 1984 and has been helping to raise Sefton's profile and provide assistance with the company's mergers and acquisition strategy.

In the Market

	Average daily trading value	Average number of bargains daily	Closing price end of August
Three months to 31 August 2010	£2,400	3.6	1.5p
Three months to 31 August 2011	£63,670	36	2.9p
Change	+2500%	+900%	+93%

2011	*Bargains*	*Trading value*	*Shares traded*	*Closing price*
June 2011	1,326	£2,526,122	64,644,861	3.28p
July 2011	580	£944,563	30,272,790	3.03p
August 2011	417	£668,350	24,519,580	2.90p
Total	2,323	£4,139,035	119,437,231	
Average daily trading	36	£63,670	1,837,500	

2010	*Bargains*	*Trading value*	*Shares traded*	*Closing price*
June 2010	45	£29,176	2,099,034	0.88p
July 2010	144	£98,150	9,398,125	1.88p
August 2010	44	£31,822	2,035,881	1.50p
Total	233	£159,148	13,533,040	
Average daily trading	3.6	£2,440	208,000	

Any questions

If you want to know about Sefton, please send your questions into *info@seftonresources.com* and we will put them to the board and try to cover all the subjects in the forthcoming edition of this newsletter.

To get a taster see our Q&A session with Mining Maven on *http://www.miningmaven.com/k2/companies/sefton-resources/sefton-resources-a-value-enhancing-model/*

Read more about us

www.seftonresource.com
– company website

www.miningmaven.com
– independent research

www.gecr.co.uk
– independent research

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– informed comment

www.iii.co.uk – share price, news and announcement

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