FULL ANNUAL REPORT & ACCOUNTS

Sefton Resources, Inc.

Consolidated Financial Statements
For the period ending 31 January 2015

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Directors' Statement for Sefton Resources, Inc ('The Company') and its subsidiaries ('the Group')

The prior year brought a significant amount of the change for the Company, not least through sale of the Company's largest asset to Hawker Energy LLC, the lifting of the Company's status as a co-borrower on a loan with the Bank of the West, the closure of its US office in Denver and relocation to the UK, and a major internal restructuring to reduce overheads to a minimum. Cash conservation continues to be of high importance for the group, as is the identification of opportunities to acquire assets outside of the US.

Sale of TEG USA, TEG MidContinent and TEG Transmission

Following a considerable period of discussion and negotiations, the sale of the Company's largest asset, TEG USA, signalled the beginning of the Company's execution of its strategy to divest from the US.

The consideration for the transaction consisted of 3,000,000 common shares of Hawker (current mid price $0.0625, giving a value of $187,500), subject to a six month lock in from date of issue and 5,000,000 share purchase warrants to acquire common shares of Hawker at a strike price of $0.25 per share for 5 years. As part of the sale, the pension liabilities and Asset Retirement Obligation costs for the subsidiary were also transferred to the seller.

On 20 March 2015, the Company announced it had successfully negotiated the release of its status as a co-borrower on the $4 million outstanding loan with the Bank of the West. The loan was secured against the assets of TEG MidContinent as well as Sefton, and as part of the release, 1,500,000 shares were returned to Hawker and the 5,000,000 share purchase warrants were cancelled. As such, this amount was written down as part of the sale consideration for TEG USA.

On 31 January 2015, the Company received a Letter of Intent from a Canadian operator to purchase Sefton's TEG MidContinent and TEG Transmission companies for $400,000 cash, however the operator could not raise the funds to proceed with the transaction. In May 2015, the Company received a notification of interest from another unrelated third party to do the transaction on the same terms and therefore engaged the Directors in negotiations regarding the potential sale of these assets.

On 29 June 2015, the Company signed a Sale and Purchase Agreement for the assets and liabilities of TEG MidContinent and TEG Transmission on 29 June 2015. The book value of the relevant assets have been written down to reflect this amount.

Potential Litigation

On 14 May 2015, a claim was filed in the district court of Denver by the former Chairman, James Ellerton against Sefton, two of its directors, and a former director which outlined unspecified damages in connection with his resignation from the board and the termination of the consulting contract with C&J Resources, Inc.

This matter remains unsettled as at the date of the release of these accounts, however the Board has received a firm US legal opinion that Mr Ellerton's claims are without merit. Furthermore, the Company has a suite of counterclaims which it is prepared to file against Mr Ellerton and C&J Resources in relation to the activities he performed whilst a Director. Some of these claims were filed when the Company and Mr Ellerton were in arbitration in 2014. The arbitration was subsequently dropped by Mr Ellerton in late 2014.

On 11 June 2015 the matter was removed from the district courts of Denver to the federal court of Colorado. The preliminary hearing date for the case was set for 31 August 2015 as of the date of the publishing of these accounts.

Change of Accounting Reference Date

The Director's approved a change of the accounting reference date to 31 January 2015 to take into account the sale of the Company's largest subsidiary, TEG USA, as well as Letters of Intent received to purchase subsidiaries TEG MidContinent and TEG Transmission. Per the Company's strategy update released via RNS on the 2nd and 24th of February, the Company's new strategy was to exit the US, therefore it was deemed appropriate and prudent to recognise the remaining assets as held for sale as at the balance sheet date.

Future Strategy and Next Steps

The Directors of Sefton are focused on identifying new acquisition targets and have identified South East Asia as an area with potential value. Opportunities to acquire existing producing assets, exploration and development opportunities are currently being assessed.

Thorough due diligence is being undertaken on a number of opportunities in the region and the Company has identified a balanced portfolio of onshore exploration, development and producing assets in Indonesia. These assets are currently producing c.250 boepd, and the Board believes that they have the potential to produce up to 1,000 boepd within 12 months if developed appropriately. In order to pursue this opportunity further, the Company entered into an unincorporated joint venture with UTAS Petroleum on 25 June 2015.

Management

The Board currently consists of one UK, one Canadian and one Indonesian Non-Executive Director, each of whom are highly involved in the day-to-day operations of the Company. The Board also currently has one Executive Director who is also the Company Secretary.

Directors' terms expire at the Annual General Meeting of Shareholders ("AGM"), such that Tom Milne will leave the board in 2015. Keith Morris is due to step down from the Board in 2016.

The Company has identified a suitable CEO candidate with considerable small cap oil and gas experience who is expected to join the Board should the Company finalise an acquisition in the near future.

Going Concern

Management have adopted the going concern basis in preparing the financial statements of the Group for the 13 month period ended 31 January 2015. In assessing whether the going concern basis is appropriate, Management have considered all relevant available information concerning the future of the Group.

In carrying out their review and assessment, Management have prepared budgets and forecasts for the period to 1 July 2016 which the Board has reviewed in detail and approved.

The assumptions used in preparing the budgets and forecasts include:

- The sale of TEG MidContinent, Inc. and TEG Transmission, Co., LLC is completed
- The Company's operating and overhead costs will continue to remain low
- The outstanding litigation does not end adversely or require material settlement
- The Company is able to secure new capital to close a potential transaction

There are uncertainties in the assumptions which could be material – the most significant being the release from the litigation and securing financing to close a new acquisition.

Material uncertainties for the next 12 months include:

- Commodity price fluctuations: further instability in the oil price may affect the Company's access to funding, thereby limiting it's ability to do business in the sector
- Liquidity: the Company's financial resources are limited, therefore a lack of access to sufficient capital could result in the delay or curtailment of operations

Financial Review

During the period, TEG USA produced a total of 28,898 barrels of oil, generating revenues of circa $2.4m. The Company's secondary activity was the operation of TEG MidContinent which produced 2,350 barrels of oil during the same period, generating revenues of circa $0.1m. TEG MidContinent ceased production in November 2014.

TEG Transmission stayed dormant during the year due to lack of capital to connect the pipeline to any production facilities.

The realised oil prices averaged $88 a barrel in California during the period, which was a slight reduction on the $99 a barrel realised in 2013 – however, the Group still benefits from a favourable premium paid for heavy oil in California. Realised oil prices in Kansas averaged $65 a barrel during the period compared to $85 a barrel in 2013, while operating costs were unchanged.

Loss for the period

Cost of sales (lease operating expenses and royalties) was $2.0 million compared to $1.9 million in 2013. The increase in costs is due to fixed costs not decreasing, higher repairs and maintenance expenses.

After deducting the cost of sales from revenue, the gross profit from oil sales during the period was $0.3 million (2013: $2.8 million) – these amounts have been included in discontinued operations.

General and administrative expenses recognised during the period remained high largely due to significant legal expenses incurred during the period, as well as high levels of corporate overheads.

The most significant impact on the loss for the financial period, however, is in relation to the two impairments recognised, as disclosed in notes 10 and 11 to the financial statements. This resulted from the sale of TEG USA and the Letters of Intent received for the purchase of TEG MidContinent and TEG Transmission. An impairment of $3.4m was recognised for the potential sale of these assets.

As a result of the transaction with Hawker Energy LLC, a loss of $1.4m was recognised given the agreed consideration for the purchase of the assets as well as costs to release the Company's status as a co-borrower on the outstanding loan with the Bank of the West.

Functional currency

The financial statements have been presented in United States Dollars ('USD') which is the Company's functional currency. All foreign currency transactions are converted to USD at the exchange rate on the date of the transaction. The GBP to USD foreign exchange rate on 31 January 2015 was 1.50.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations. The Directors have elected to prepare the financial statements for the Group in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for Preparation and Presentation of Financial Statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all IFRS. The Directors are also required to:

- Select suitable accounting policies and then apply them consistently;

- Make judgements and accounting estimates that are reasonable and prudent;

- Provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance.

- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business

The Directors are responsible for keeping proper accounting records that are sufficient to show an explain the Group's transactions, with reasonable accuracy at any time, the financial position of the Group, for safeguarding the assets and for taking responsible steps for the prevention and detection of fraud and other irregularities.

<u>Statement of Disclosure to Auditors</u>

So far as the Directors are aware, there is no relevant audit information of which the Group's auditors are unaware. Additionally, the Directors have taken all necessary steps that they ought to have taken as Directors in order to make themselves aware of all relevant audit information and to establish that the Group's auditors are aware of that information.

Raylene Whitford
Chief Financial Officer
29 June 2015

Report of the Independent Auditor on the Financial Statements
We have audited the accompanying financial statements of Sefton Resources Inc., which comprise the consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows, and notes, for the period ended 31 January 2015. The financial reporting framework that has been applied in their preparation is International Financial Reporting Standards (IFRS) as adopted by the European Union.

This report is made solely to the Group's members, as a body, in accordance with the terms of our engagement letter. Our audit work has been undertaken so that we might state to the Group's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditor
As described in the statement of Directors' responsibilities set out on page 6, the Directors are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the consolidated financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Consolidated Financial Statements
In our opinion:

- The consolidated financial statements give a true and fair view of the state of the Group's affairs as at 31 January 2015 and of the results of the Group for the period then ended;
- The consolidated financial statements have been properly prepared in accordance with IFRS as adopted by the European Union.

Sanjay Parmar,
Chartered Accountant
(Auditor in charge)
29 June 2015

Sefton Resources, Inc.

Consolidated Statement of Comprehensive Income
For the 13 month period ended 31st January 2015

	Notes	Period ended 31 January 2015 $000	Year ended 31 December 2013 $000
Continuing operations			
Revenue		**-**	
Cost of sales		**-**	-
Gross profit		**-**	-
General and administrative expense		**(160)**	(2,167)
Retirement obligation expense		**(28)**	104
Loss before non-cash charges, interest and taxes		**(188)**	(2,063)
Depletion, depreciation and amortisation		**(54)**	(64)
Share-based payments		**(176)**	(234)
Operating loss		**(418)**	(2,389)
Finance costs	2	**(82)**	(28)
Loss for the period from continuing operations		**(500)**	(2,389)
Discontinued operations			
Loss for the period from discontinued operations		**(7,535)**	(11,380)
Loss for the period attributable to shareholders of the Company		**(8,035)**	(13,769)
Loss per share	18	**Per share $**	**Per share** $
From continuing and discontinued operations Basic and diluted		**(0.00989)**	(0.02047)
From continuing operations Basic and diluted		**(0.00062)**	(0.00360)

Sefton Resources, Inc.

Consolidated Balance Sheet
As at 31 January 2015

	Notes	As at 31 January 2015 $000	As at 31 December 2013 $000
Non-current assets			
Investments	7	**180**	-
Intangible assets	8	**-**	3,671
Property, plant and equipment	9	**-**	11,511
		180	15,182
Current assets			
Non-current assets held for sale – disposal groups	11	**632**	-
Cash and cash equivalents		**27**	250
Trade and other receivables	12	**124**	690
		783	940
Total assets		**963**	16,122
Non-current liabilities			
Retirement obligation	6	**-**	292
Asset retirement obligation	16	**-**	1,939
		-	2,231
Current liabilities			
Liabilities associated with non-current assets held for sale – disposal groups	11	**232**	-
Trade and other payables	13	**651**	1,745
Current portion of borrowings	14	**129**	4,955
		1,012	6,700
Total liabilities		**1,012**	8,931
Net (liabilities) / assets		**(49)**	7,191
Shareholders' equity			
Share capital	17	**25,311**	24,692
Retained deficit		**(25,360)**	(17,501)
Total equity attributable to equity holders of the parent		**(49)**	7,191

The annual financial statements set out on pages 8 to 12 were approved and authorised for issue by the Board of Directors and signed on its behalf on 29 June 2015 by:

Raylene Whitford,
Chief Financial Officer

The accompanying notes form part of these consolidated financial statements.

Sefton Resources, Inc.

Consolidated Statement of Changes in Equity
For the 13 month period ended 31 January 2015

	Common shares, no par value			
	Shares	Amount	Retained deficit	Total
		$000	$000	$000
At 1 January 2013	577,581,720	23,750	(3,981)	**19,769**
Shares issued for cash	124,333,333	1,082	-	**1,082**
Share issuance costs	-	(150)	-	**(150)**
Shares issued on conversion of loan notes	2,174,688	10	-	**10**
Compensation expense related to share options	-	-	234	**234**
Compensation expense related to share warrants	-	-	15	**15**
Total comprehensive income	-	-	(13,769)	**(13,769)**
At 31 December 2013	704,089,741	24,692	(17,501)	**7,191**
At 1 January 2014				
Shares issued in lieu of payments	128,988,778	355	-	**355**
Shares issued on conversion of loan notes	76,565,976	150	-	**150**
Shares issued in placing	160,000,000	120	-	**120**
Share issuance costs	-	(6)	-	**(6)**
Compensation expense related to share options	-	-	176	**176**
Total comprehensive expense	-	-	(8,035)	**(8,035)**
At 31 January 2015	1,069,644,495	25,311	(25,360)	**(49)**

Sefton Resources, Inc.

Consolidated Statement of Cash Flows
For the 13 month period ended 31 January 2015

	Period ended 31 January 2015 $000	Year ended 31 December 2013 $000
Cash flows from operating activities		
Total comprehensive expense	(8,035)	(13,769)
Finance costs	679	246
Share based payments	176	234
Retirement benefit expense	706	72
Depreciation	390	570
Impairments	3,401	12,886
Loss on disposal of subsidiary	1,430	-
Loss on disposal of equipment	3	-
	(1,250)	239
Changes in operating assets and liabilities:		
Changes in trade and other receivables	613	168
Changes in trade and other payables	225	1,102
Net cash absorbed by operating activities	**(412)**	**1,509**
Cash flows from investing activities		
Purchase of intangible assets	(1)	(1,071)
Purchase of property, plant and equipment	(122)	(1,275)
Net cash outflow on disposal of subsidiary	(8)	-
Net cash used in investing activities	**(131)**	**(2,346)**
Cash flows from financing activities		
Proceeds of issue of new shares	-	1,082
Expenses of new share issue	-	(150)
Proceeds from notes payable	329	193
Payments on notes payable	-	(796)
Interest paid	(13)	(189)
Net cash provided by financing activities	**316**	**140**
Net decrease in cash and cash equivalents	(227)	(697)
Cash and cash equivalents at beginning of period	250	947
Cash and cash equivalents at end of period	**23**	**250**

Note to the consolidated statement of cash flows:

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include held in banks. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated balance sheet as follows:

	Period ended 31 January 2015 $000	Year ended 31 December 2013 $000
Cash and bank balances	**27**	250
Cash and bank balances included in disposal groups held for sale	**(4)**	-
	23	250

1. Accounting Policies

General information

Sefton Resources, Inc. (the "Company" and together with its subsidiaries, the "Group") was incorporated on January 17, 1995, as a British Virgin Islands corporation and has been primarily engaged in the exploration, development, and production of oil and natural gas, as well as the gathering and transporting natural gas in the Continental United States. The Group's properties are located in California and Kansas, USA.

The Group's consolidated financial statements are presented in US Dollars, which is the Group's functional and presentation currency.

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. All accounting standards and interpretations issued by the International Accounting Standards Board and the IFRS Interpretations Committee effective for the periods covered by these financial statements have been consistently applied to all periods presented, unless otherwise stated. The consolidated financial statements have been prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements incorporate the results of the Company and its subsidiaries as at 31 January 2015.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the reporting period are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Intercompany transactions, balances and unrealised gains on transactions between Group entities (the Company and its subsidiaries) are eliminated on consolidation.

At 31 January 2015, the Group's subsidiaries, all of which are registered and incorporated in the United States, and included in the consolidated Group financial statements, were:

TEG MidContinent, Inc.	100%
TEG Transmission, Co., LLC	100%

As Management were committed to a plan to sell the assets in the subsidiaries and a Letter of Intent was received from two independent potential buyers, they were classified as Non-current Assets Held for Sale in the financial statements, as per IFRS 5.

The Company signed a binding Purchase and Sale agreement for TEG USA, Inc. on 30 January 2015, the date which Management have determined that the Company gave up control of this subsidiary. Therefore, in line with IFRS 5, this subsidiary was classified as a discontinued operation as at the fiscal year end.

New accounting standards and interpretations
The Group has reviewed new and amended standards and interpretations currently in issue but not effective as of 31 January 2015 and determined none of the new standards and interpretations will have significant impact on the Company's reported results.

Amendments to existing standards and new standards which may apply to the Group in future accounting periods are:

Standard	Title	Effective date (periods beginning on or after)	EU adopted	Impact on Sefton Resources, Inc.
IAS 1	Disclosure Initiative – Amendments	1 January 2016	No	Disclosures
IAS 16 and IAS 38	Clarification of Acceptable methods of depreciation and amortisation - Amendments	1 January 2016	No	Review depreciation methods to ensure in line with Standards
IFRS 9	Financial Instruments: Classification and Measurement	1 January 2018	No	Classification and measurement of financial instruments
IFRS 15	Revenue from Contracts with Customers	1 January 2017	No	Accounting for revenue
-	Annual Improvements to IFRSs (2010-2012 Cycle) & Annual Improvements to IFRSs (2011-2013 Cycle)	1 January 2015	Yes	These Amendments clarify the requirements of IFRS and eliminate inconsistencies within and between Standards
-	Annual Improvements to IFRSs 2012 – 2014 Cycle	1 January 2016	No	Disclosures

Financial instruments
Financial instruments are recognised when the Group becomes a party to contractual provisions of the instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets
The Group's financial assets are all classified as loans and receivables. The Group's loans and receivables comprise trade and other receivables, as well as cash and cash equivalents.

Cash and cash equivalents
Cash and cash equivalents include deposits held at call with banks and other short-term highly liquid investments which are subject to insignificant risk of changes in value. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated balance sheet.

Trade and other receivables
These arise principally through the provision of supplies of oil and gas (e.g. trade receivables), but also incorporate other types of contractual monetary assets.

They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables and is recognised in the statement of comprehensive income.

Financial liabilities
Trade payables and other short-term monetary liabilities are classified as financial liabilities and are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Bank borrowings and loan notes, including convertible loan notes which do not qualify as compound financial instruments, are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

There is no material difference between the book value and fair value of financial instruments.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving the loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Exploration and evaluation costs

Exploration and evaluation expenditure, in respect of each area of interest, is accounted for under the successful efforts method.

Costs incurred prior to obtaining the legal rights to explore an area are expensed immediately to the statement of comprehensive income.

Exploration acquisition costs relating to established oil and gas exploration areas are capitalised as exploration and evaluation assets within intangible assets.

The costs of drilling exploration wells are initially capitalised within exploration and evaluation assets pending the results of the well. Costs are expensed where the well does not result in the successful discovery of potentially economically recoverable reserves.

All other exploration and evaluation expenditure, including general administration costs, geological and geophysical costs, and new venture expenditure is expensed as incurred, except where the expenditure relates to an exploration discovery for which, at balance sheet date, an assessment of the existence or otherwise of economically recoverable reserves is not yet complete; or the expenditure relates to an area of interest under which it is expected that the expenditure will be recouped through successful development and exploitation or by sale.

When an oil or gas field has been approved for commercial development, the accumulated exploration and evaluation costs are transferred to production assets within property, plant and equipment.

Net proceeds from any disposal of an exploration asset are initially credited against the previously capitalised costs. Any surplus proceeds are credited to the statement of comprehensive income.

Development expenditure includes past exploration and evaluation costs, pre-production development costs, development drilling, development studies and other subsurface expenditure pertaining to that area of interest.

The definition of an area of interest for development expenditure is narrowed from the exploration permit for exploration and evaluation expenditure to the individual geological area where the presence of an oil or natural gas field exists, and in most cases will comprise an individual oil or gas field. Development expenditure is reviewed for impairment at each reporting date where there is an indication that the individual geological area may be impaired.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences. When production commences, carried forward development costs are transferred into production assets within property, plant and equipment, and depreciated on the units of production basis over the life of economically recoverable reserves.

Other intangible assets
Other intangible assets include expenditure relating to the development of gas gathering and transportation assets.

Amortisation is not charged on costs carried forward in respect of gas gathering and transportation development assets. When such assets are certified as ready for use, carried forward development costs are transferred into gas transportation assets within property, plant and equipment and depreciated.

Property, plant and equipment
Costs related to surface plant and equipment and any associated land and buildings are accounted for as property, plant and equipment.

Property, plant and equipment are stated at historical cost less depreciation and any impairment losses. Cost includes expenditure that is directly attributable to the acquisition or construction of these items. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the costs can be measured reliably.

All other costs, including repairs and maintenance costs, are charged to the statement of comprehensive income in the period in which they are incurred.

Depreciation is provided on all property, plant and equipment and is calculated as follows:

Equipment and vehicle costs	2 - 3 years, straight-line
Production assets	% of estimated reserves (units of production)

Depreciation is provided on cost less residual value. The residual value, depreciation methods and useful lives are annually reassessed.

Impairment of assets

At each balance sheet date Management reviews the carrying amounts of the Group's tangible and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior periods. A reversal of an impairment loss is recognised in the statement of comprehensive income immediately.

Provisions

A provision is recognised on the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

Asset retirement obligation

The Group recognises the present value of the future estimated costs of plugging oil and gas wells and removing surface facilities associated with those oil and gas wells in the financial statements in the period in which the obligation arises.

Upon initial recognition of the liability, an asset retirement cost is capitalised by increasing the carrying amount, included in oil and gas properties, by the same amount as the liability. In periods subsequent to initial measurement, the capitalised asset retirement cost is allocated to depreciation and amortisation expense at the unit of production rate associated with the corresponding asset.

The unwinding of the discount is recognised as an accretion expense in the statement of comprehensive income.

Revenue recognition
Revenue from the sale of oil and gas is recognised when significant risks and rewards of ownership are transferred to the buyer.

The Group follows the gross method of accounting for royalties where the royalty owners' share of sales is accounted for as an operating expense of the Group, and calculated as a percentage of revenue.

Income taxes
Current income tax is based on taxable profit for the year.

The Group's current tax assets and liabilities are calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. The Group's ultimate parent is incorporated in the British Virgin Islands and is not subject to US income tax; however, the parent's subsidiaries are incorporated and operate in the US and are subject to US income taxes.

Deferred income tax is provided in full, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and laws that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority on either the same taxable entity or different taxable entities which intend to settle or realise the amounts simultaneously.

Foreign currency
The presentational currency for the Group's consolidated financial statements is US dollars and it is this currency in which the Group reports.

The Group's assets at this time are all in the United States and the majority of transactions are made in US dollars.

Foreign currency transactions by Group companies are recorded in their functional currency (being US dollars) at the exchange rate at the date of the transaction. Monetary assets and liabilities have been translated at rates in effect at the balance sheet date, with any exchange adjustments being charged or credited in the statement of comprehensive income.

Employment benefits
Provision is made in the financial statements for all employee benefits.

The Group's contributions to defined contribution pension plans are charged to profit or loss in the period to which the contributions relate.

The Group provides for long-term retirement obligations for certain employees. These provisions are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

Share-based payments
Where share options and warrants have been granted to employees, consultants, Directors and suppliers, IFRS 2 has been applied whereby the fair value of the options is measured at the grant date and spread over the period during which the counterparties become entitled to the options. A Black Scholes options valuation model is used to assess the fair value, taking into account the terms and conditions attached to the options. The fair value of goods and services received are measured by reference to the fair value of options.

The cost of equity-settled transactions is recognised, together with a corresponding increase in the retained earnings reserve, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant recipients become fully entitled to the award ("the vesting date").

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

At the end of each period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

The charge or credit to the statement of comprehensive income for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

For additional detail regarding share-based compensation see note 17.

Risk management objectives and policies
The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

The Group uses various financial instruments including cash, loans, and items such as debtors and creditors that arise directly from its operations. The existence of these financial instruments exposes the Group to a number of financial risks, which are described in note 15 of these financial statements.

Critical accounting estimates and judgements
In the process of applying the Group's accounting policies, Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Exploration and evaluation costs
The Group's accounting policy leads to the capitalisation of intangible exploration and evaluation assets, where it is considered likely that the amount will be recoverable by future exploitation or sale or alternatively where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This requires management to make estimates and assumptions as to the future events and circumstances, especially in relation to whether an economically viable extraction operation can be established. Such estimates are subject to change and following initial capitalisation, should it become apparent that recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to the statement of comprehensive income.

Estimation of oil and gas reserves
Proved oil and gas reserves are the estimated quantities of oil and gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions.

Estimates of oil and gas reserves are inherently imprecise, require the application of judgement and are subject to future revision. Accordingly, financial and accounting measures (such as the standardised measure of discounted cash flows, depreciation, depletion and amortisation charges, and decommissioning provisions) that are based on proved reserves are also subject to change.

Impairment of non-financial assets
Management review all non-financial assets at each balance sheet date to determine whether there are any indications of impairment. If any such indication exists, an estimate of the recoverable amount is performed, and an impairment loss is recognised to the extent that carrying amount exceeds recoverable amount.

Share-based payments
In determining the fair value of equity-settled share-based payments and the related charge to the statement of comprehensive income, the Group makes assumptions about future events and market conditions; in particular, judgement must be made as to the likely number of shares that will vest, and the fair value of each award granted. The fair value is determined using a valuation model which is dependent on further estimates, including the Company's future dividend policy, the timing with which options will be exercised and the future volatility in the price of the Company's shares.

Such assumptions are based on publicly available information. Different assumptions about these factors to those made by the Company could materially affect the reported value of share-based payments.

Asset retirement obligation (provision for abandonment)
Estimates of the amounts of provision for abandonment recognised are based on current legal and constructive requirements, technology and price levels. As actual outflows may be different from estimates due to changes in laws, regulations, technology, prices and conditions, and can take place in the future, the carrying amounts of provisions are regularly reviewed and adjusted to take account of such changes. For additional detail regarding provision for abandonment see note 13.

Segmental reporting
The Directors have determined that the Group has two principal business activities — oil and gas exploration and production, and natural gas gathering and transportation — both of which are conducted solely within the United States at this time.

For the 13 month period ended 31 January 2015, the Group's revenues derived solely from the production and sale of oil.

Subsequent to a decision to dispose of TEG Transmission being made prior to the reporting date, assets relating to natural gas gathering and transportation at 31 January 2015 are included within non-current assets held for sale (at 31 December 2013 these were recognised within intangible assets and disclosed within note 8).

Subsequent to the disposal of the Group's interests in TEG USA and a decision to dispose of TEG MidContinent being made prior to the reporting date, assets relating to oil and gas exploration and production are included are included within non-current assets held for sale (at 31 December 2013 these were recognised within both intangible assets and property, plant and equipment, and are disclosed accordingly in notes 8 and 9).

All costs associated with natural gas gathering and transportation were capitalised within intangible assets (note 8) prior to reclassification to non-current assets held for sale, as commercial activity has not yet commenced in this segment.

2. Finance Costs

The Group's finance costs during the 13 month period ended 31 January 2015 and the year ended 31 December 2013 were as follows:

	Period ended 31 January 2015	**Year ended 31 December 2013**
	$000	$000
Interest on notes payable	**51**	15
Share warrant expense recognised as a finance charge (note 17)	**23**	10
Other interest charges	**7**	3
Bank Interest	**1**	-
	82	28

3. Income Tax Expense

Sefton Resources, Inc., the parent company, is a British Virgin Islands company and is not subject to taxes based on its jurisdiction. The operating subsidiaries, TEG MidContinent and TEG Transmission are taxed as US entities.

United States Tax Provision

A reconciliation of the provision for income taxes computed at the United States statutory rate to the provision for income taxes as shown in the financial statements of operations for the 13 month period ended 31 January 2015 and the year ended 31 December 2013 is summarised below:

	Period ended 31 January 2015	**Year ended 31 December 2013**
	%	%
Tax provision (benefit) at federal statutory rate	**(34.00)%**	(34.00)%
State taxes, net of federal tax effects	**(3.30)%**	(5.39)%
Other adjustments	**0.84%**	(0.39)%
Valuation allowance	**36.46%**	39.78%
Net income tax provision	**-%**	–%

The components of the US deferred tax assets and liabilities as at 31 January 2015 and 31 December 2013 are as follows:

	31 January 2015 $000	31 December 2013 $000
Deferred tax assets:		
Federal and state net operating loss and depletion carry forwards	**1,916**	7,561
Accrued retirement obligation	**-**	766
Deferred tax liabilities:		
Oil and gas properties	**(384)**	(3,770)
	1,532	4,557
Less: valuation allowance	**(1,532)**	(4,557)
Net deferred tax asset	**-**	-

The Group has a $5,135,718 operating loss carryover (31 December 2013: $16,650,344) and $0 percentage depletion carry forward for US federal income tax purposes as of 31 January 2015 (31 December 2013: $2,593,302). The net operating losses may offset taxable income through the year ending 31 December 2034 and begin expiring in the year ending 31 December 2024.

The Group provided a valuation allowance against its deferred tax assets as at 31 January 2015 and 31 December 2013 since it is uncertain whether net deferred tax assets will be fully utilised on future income tax returns.

4. Staff Costs

The average number of Employees, Directors and Consultants employed or contracted by the Group during the 13 month period ended 31 January 2015 and the year ended 31 December 2013, by category was:

	Period ended 31 January 2015	Year ended 31 December 2013
Non-Executive Directors	**3**	3
Management	**3**	2
Exploration and production	**6**	7
Administration	**2**	3
Total	**14**	15

The aggregate compensation expense incurred by the Group for these Employees, Directors and Consultants during the 13 month period ended 31 January 2015 and the year ended 31 December 2013, by category was as follows:

	Period ended 31 January 2015 $000	Year ended 31 December 2013 $000
Salaries and fees	**1,161**	1,828
Social security and other taxes	**77**	79
Pension costs	**27**	27
Retirement obligation	**706**	72
Share-based compensation	**176**	234
Total compensation expense	**2,147**	2,240

A portion of the compensation expense of the Employees, Directors and Consultants included in the table above was capitalised into the cost of oil and gas properties where those costs are directly attributable costs associated with these assets.

5. Directors' Remuneration

Total remuneration comprises emoluments, which include salaries or fees accrued, bonuses accrued and health and life insurance benefits received.

Total remuneration also includes pension and retirement benefits accrued, and share-based awards. Ad hoc bonuses may be paid to reward exceptional performance. Such bonuses are decided by the Board on the recommendation of the compensation committee. Share options are also awarded to Directors, employees and consultants from time to time.

The granting of share options to individuals is determined taking into account seniority, commitment to the business and recent performance. Such share option awards are also decided by the Board on the recommendation of the compensation committee. For additional information on share awards and share-based compensation see note 17.

The key management of the Group consists of the Board of Directors. The total remuneration for each Director for the 13 month period ended 31 January 2015 and the year ended 31 December 2013 is shown below.

	For the 13 month period ended 31 January				
	2015 Emoluments & compensation	2015 Pension contributions & retirement benefits	2015 Share-based compensation	2015 Total	Year ended 31 December 2013 Total
	$000	$000	$000	**$000**	$000
M Smith *	43	-	12	**55**	57
T Milne *	43	-	5	**48**	25
K Morris *	43	-	5	**48**	25
J Ellerton **	-	-	-	**-**	375
K Arleth ***	-	-	-	**-**	34
Total	129	-	22	**151**	516

**Non-Executive Director during the period ended 31 January 2015
** Includes fees paid under a consultancy agreement with C & J Resources Inc., which was owned by Mr Ellerton and his wife. Mr Ellerton resigned as a Director 29 August 2013. The fees shown represent compensation whilst in office as a Director
*** Resigned 19 June 2013. Fees shown represent compensation whilst in office as a director

6. Retirement Obligation

The Group provides a retirement benefit to certain employees with employment or service contracts as described below.

The following outlines the Group's retirement obligations to its employees:

	31 January 2015	31 December 2013
	$000	$000
Balance at 1 January 2014	**292**	220
Retirement obligation expense	**850**	72
Disposal of subsidiary (note 20)	**(998)**	-
Restructuring settlement	**(144)**	-
Balance at 31 January 2015	**-**	292

The retirement obligation is based on the individual's ending monthly salary or fee arrangement at the date of retirement times a certain multiple for the total number of years in service. This multiple ranges from one month of base salary or fee for two years of service or less, to two and a half times monthly salary or fee for ten or more years of service.

As part of the restructuring in 2015, the retirement obligations and severance payments to employees were agreed post-year end.

7. Investments

Investments represent shares and share warrants in Hawker Energy LLC received in consideration for the disposal of TEG USA (note 20):

	31 January 2015 $000	31 December 2013 $000
3,000,000 shares of Hawker common stock	180	
5,000,000 warrants for Hawker stock, exercise price of $0.25	-	-

As part of the settlement with the Bank of The West for lifting the Company's status as co-borrower on the outstanding loan facility, 1.5 million shares of Hawker common stock and 5 million warrants were cancelled and returned to Hawker, and as such, the value of these investments were written down in the accounts as at 31 January 2015. Refer to note 22 for further details on the post balance sheet date events.

8. Intangible Assets

Intangible exploration assets for all years presented consist of the Group's investment in oil and gas properties and pipeline interests in Kansas.

	Total		Exploration & evaluation assets		Gas gathering & transportation assets	
	31 Jan 2015 $000	**31 Dec 2013** $000	**31 Jan 2015 $000**	**31 Dec 2013** $000	**31 Jan 2015 $000**	**31 Dec 2013** $000
Balance at 1 January	**3,671**	4,928	**787**	3,453	**2,884**	1,475
Additions	**(34)**	1,071	**(35)**	982	**1**	89
Transfers to production assets	**-**	(294)	**-**	(294)	**-**	-
Transfers to plant & equipment	**-**	(111)	**-**	(111)	**-**	-
Reclass of assets	**-**	-	**-**	(1,320)	**-**	1,320
Impairment	**(2,983)**	(1,923)	**(298)**	(1,923)	**(2,685)**	-
Reclassified to disposal group held for sale (note 11)	**(654)**	-	**(454)**	-	**(200)**	-
Closing balance	**-**	3,671	**-**	787	**-**	2,884

At 31 January 2015, all intangible assets were held within disposal groups held for sale as a result of decisions taken prior to the reporting date to dispose of the remaining operating subsidiaries held by the Group.

As a result, impairments have been recognised to reduce the assets according to the net realisable value of the disposal groups, which are reclassified to non-current assets held for sale (note 11).

9. Property, Plant and Equipment

Production assets consist of the Group's investment in producing oil properties in California and Kansas.

	Production assets	Other plant & equipment	Total
	$000	$000	**$000**
Cost			
At 31 December 2012	24,251	215	**24,466**
Transfers from exploration & evaluation assets	294	111	**405**
Additions	1,331	168	**1,499**
At 31 December 2013	25,876	494	**26,370**
Additions	300	-	**300**
Disposal of assets	-	(111)	**(111)**
Disposal of subsidiary (Note 20)	(25,772)	(179)	**(25,951)**
Reclassified to disposal group held for sale (Note 11)	(404)	-	**(404)**
At 31 January 2015	-	204	**204**
Accumulated depreciation			
At 1 January 2013	3,132	194	**3,326**
Charge	492	78	**570**
Impairment	10,963	-	**10,963**
At 31 December 2013	14,587	272	**14,859**
Charge	327	136	**463**
Impairment	386	-	**386**
Disposal of assets	-	(73)	**(73)**
Disposal of subsidiary (Note 20)	(14,896)	(131)	**(15,027)**
Reclassified to disposal group held for sale (Note 11)	(404)	-	**(404)**
At 31 January 2015	-	204	**204**
Net book value			
At 31 January 2015	**-**	**-**	**-**
At 31 December 2013	11,289	222	**11,511**

Other plant and equipment assets include office and computer equipment and vehicles.

At 31 January 2015, all remaining production assets were held within disposal groups held for sale as a result of decisions taken prior to the reporting date to dispose of the remaining operating subsidiaries held by the Group.

As a result, impairments have been recognised to reduce the assets according to the net realisable value of the disposal groups, which are reclassified to non-current assets held for sale (Note 11).

10. Discontinued Operations

At 31 January 2015, all of the Group's operating activities were reclassified as discontinued as a result of the sale of TEG USA (note 20), and the decisions made prior to the reporting date to dispose of TEG MidContinent and TEG Transmission companies resulting in these companies being classified as held for sale (note 11).

Loss for the period from discontinued operations

	Period ended 31 January 2015 $000	Year ended 31 December 2014 $000
Revenue	**2,381**	4,727
Cost of sales	**(2,031)**	(1,894)
Gross profit	**350**	2,833
General and administrative expenses	**(1,226)**	(427)
Retirement obligation expense	**(822)**	(176)
Depletion, depreciation and amortisation	**(409)**	(506)
Profit/(loss) before interest and taxes	**(2,107)**	1,724
Finance costs	**(597)**	(218)
Net loss before exceptional items	**(2,704)**	1,506
Loss on re-measurement to fair value less costs to sell	**(3,401)**	-
Loss on disposal of operation	**(1,430)**	-
Exceptional expense – impairment (California)	**-**	(10,963)
Exceptional expense – impairment (Kansas)	**-**	(1,923)
Loss from discontinued operations	**(7,535)**	(11,380)

11. Non-Current Assets Held for Sale

Decisions were made prior to 31 January 2015 to dispose of the Group's remaining operational subsidiaries, TEG MidContinent and TEG Transmission. Letters of Intent regarding the sale of these subsidiaries were received from to different third parties during January 2015 and May 2015.

As a result of these decisions, the assets and liabilities of these two subsidiaries are determined to be a disposal group held for sale, and the assets and liabilities have been reclassified on the Group balance sheet accordingly.

	As at 31 January 2015 $000
Disposal group held for sale	632
Liabilities associated with disposal groups held for sale	(232)
Net assets held for sale	400

The major classes of assets and liabilities of the disposal group at the end of the reporting period are as follows:

	31 January 2015 $000
Non-current assets	
Intangible assets	620
Current assets	
Cash and cash equivalents	(3)
Trade and other receivables	15
Total assets	**632**
Non-current liabilities	
Asset retirement obligation	(203)
Current liabilities	
Trade and other payables	(29)
Total liabilities	**(232)**
Net assets	**400**

12. Trade and Other Receivables

	31 January 2015 $000	31 December 2013 $000
Other receivables – unpaid shares	**120**	-
Prepayments	**4**	83
Trade receivables	**-**	324
Related party receivables	**-**	283
	124	690

Trade receivables represent accruals of the prior month's unpaid revenues from the sale of product, which are received one month in arrears. There were no trade receivables as at 31 January 2015 for TEG MidContinent as the asset stopped producing in November 2014.

Included in other receivables are amounts receivable for share capital issued on 30 January 2015 of $120,000 for which full payment was received after the balance sheet date.

There were no related party receivables during the period. Prior year receivables consisted of amounts owed to the Company by Mr Ellerton which, in the current year, were netted off against the gross payable due to him and C&J Resources.

13. Trade and Other Payables

	31 January 2015 $000	31 December 2013 $000
Trade payables	**502**	832
Accruals	**70**	413
Related party payables	**79**	500
	651	1,745

Related party payables at 31 January 2015 and 31 December 2013 consist of:

Related party	31 January 2015 $000	31 December 2013 $000
T Milne	**32**	28
K Morris	**24**	24
M Smith	**23**	25
C & J Resources Inc.	-	262
C & J Resources Inc. Pension Plan	-	157
Summit Energy	-	4
Total	**79**	500

Amounts due to related parties as at 31 January 2015 consist of outstanding Director fees and expenses.

Historical amounts due to C&J Resources, Inc. as at 31 December 2013 represent accrued bonus and fees. C&J Resources Inc. was owned by Mr. Ellerton and his wife and provided his services under a consultancy agreement. The obligation to the C&J Resources, Inc. Pension Plan at 31 December 2013 represented the full outstanding retirement obligation due for Mr. Ellerton's services at that date.

Mr Ellerton was not a related party during the reporting period and as such balances with Mr Ellerton and organisations under his control were reclassified to trade payables.

The carrying amounts of trade and other payables approximate their fair value.

14. Borrowings

	2015 Within one year $000	2015 After one year $000	2013 Within one year $000	2013 After one year $000
Notes payable	**129**	**-**	129	-
Bank loan	**-**	**-**	4,654	-
Convertible loan note	**-**	**-**	172	-
Total	**129**	**-**	4,955	-

Notes payable

A total of $129,000 of notes payable with a coupon of 10% was originally issued on 1 April 2012 and the due date extended to 31 March 2015. The notes and outstanding interest were repaid in full on 31 March 2015 (note 22).

Bank loan

On 14 August 2007, the Group entered into a Credit Agreement with its primary bank lender for a credit facility with a maximum commitment amount of $10 million.

The Credit Agreement was amended and restated on several occasions. The most recent amendment to the agreement was made on 10 May 2013 when a further extension to January 2014 was agreed, with a number of smaller principal payments being made each month from July 2013. The interest rate under the Credit Agreement is the prime rate plus 0.5% or a LIBOR based rate, at the Group's election.

The Credit Agreement contained various covenants that include restrictions on additional debt, sale of collateralised assets, as the Notes were secured by a mortgage on the Group's oil and gas properties (notes 8 and 9), and maintenance of minimum working capital and debt service ratios.

Following the sale of TEG USA, advances under the agreement recognised in the Group balance sheet totalled $nil and $4.65 million at 31 January 2015 and 31 December 2013, respectively. This loan was derecognised on the disposal of TEG USA (note 20), however a guarantee from Sefton and further guarantees from TEG MidContinent and TEG Transmission remained in place at 31 January 2015 and represent a contingent liability for the Group (note 21).

The Company was subsequently released as co-borrowers on the loan on 20 March 2015 (note 22).

Convertible loan notes

On 17 December 2013, the Group issued $220,000 of convertible loan notes with a one year term, at a 10% original issue discount. Conversion of the loan notes was at the holder's option; the conversion price being 85% of the lowest variable weighted average trading price for the five trading days prior to conversion date.

Interest accrued on the aggregate unconverted and outstanding principal on a monthly basis at 4% p.a. until either payment or conversion of the loan notes. The principal plus accrued interest on unconverted notes was due to be repaid on or before 17 December 2014.

Furthermore, 5,141,779 share warrants with a life of three years were issued alongside the loan notes, which were valued in accordance with IFRS 2 (as disclosed in note 17) and treated as a transaction cost of the loan notes. During the period ended 31 January 2015, the full value of this loan was converted into shares.

15. Financial Instruments, Risk Exposure and Management

The principal financial instruments used by the Group, including financial instruments included within disposal groups classified as non-current assets held for sale, from which the financial risk arises are as follows:

	31 January 2015 $000	**31 December 2013** $000
Financial assets		
Other receivables	**134**	-
Cash and cash equivalents	**27**	250
Trade receivables	**-**	324
Related party receivables	**-**	283
	161	857

	31 January 2015 $000	**31 December 2013** $000
Financial liabilities		
Trade payables	**531**	832
Notes payable	**129**	4,955
Related party payables	**79**	500
Accruals	**70**	413
	809	6,700

The Group's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production and financing activities. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group's objectives, policies and process for managing risks and the methods used to measure them are as follows.

Commodity price risk

The Group is exposed to commodity price risk as it sells its oil and gas production on a floating price basis, and may consider partially mitigating this risk in the future through hedging instruments.

Interest rate risk

Following the disposal of TEG USA (note 20), the Group has a $nil credit facility (2013: $10 million) with a $nil million borrowing base (2013: $4.65 million) with its primary bank lender at a variable interest rate. The Group does not currently hedge its interest rate exposure and consequently, its net income or loss is directly affected by changes in interest rates.

The Group's bank deposits bear interest at nominal rates, and changes in these rates do not have any significant impact on its financial results.

The Group additionally issued $220,000 of convertible loan notes in December 2013. Interest accrues on the aggregate unconverted and outstanding principal on a monthly basis at a fixed rate 4% p.a. until either payment or conversion of the loan note. These loan notes were converted in full by the holder during the reporting period. Conversion of these loan notes is detailed in the share issue table in note 17.

Credit risk

Although the Group markets its crude oil to two counterparties, the Group has not historically experienced any bad debts or delays in payment with respect to its trade receivables.

Market risk

Due to the nature of the Group's operations during the period ended 31 January 2015 and the year ended 31 December 2013, it is mainly exposed to risk arising from fluctuations in the price of oil. The Group does not currently use hedging instruments to mitigate this risk.

Liquidity risk

Liquidity risk is the risk that the Group will not have sufficient funds to meet liabilities. The Group manages its liquidity needs through forecasts which are reviewed regularly by the Board to ensure sufficient funds exist to finance the Group's current operational and investment cash flow requirements.

As at 31 January 2015 the Group held approximately $27,000 in cash (31 December 2013: $250,000).

There have been no substantive changes in the Group's exposure to financial instrument risks, as objectives, policies and processes for managing those risks or the methods used to measure them from previous periods have not changed.

In managing liquidity risk, the main objective of the Group is to ensure that it has the ability to pay all of its liabilities as they fall due. The Group monitors its levels of working capital to ensure that it can meet its liabilities as they fall due.

The table below shows the undiscounted cash flows on the Group's financial liabilities as at 31 January 2015 and 31 December 2013 on the basis of their earliest possible contractual maturity.

	Total $000	Within 2 months $000	Within 2 -6 months $000	6 – 12 months $000	Greater than 12 months $000
At 31 January 2015					
Trade payables	**581**	581	-	-	-
Other loan notes	**129**	-	129	-	-
Accruals	**70**	70	-	-	-
	780	651	129	-	-
At 31 December 2013					
Bank loan	**4,654**	4,654	-	-	-
Trade payables	**832**	832	-	-	-
Accruals	**413**	-	413	-	-
Other loan notes	**301**	-	-	301	-
	6,200	5,486	413	301	-

16. Asset Retirement Obligation

The undiscounted liability for asset retirement obligations as of 31 January 2015 was estimated at $378,000 (31 December 2013: $3,278,000), which is expected to be incurred in the period between 2016 and 2036, and does not include any potential salvage values. The present value of the obligation is estimated using a discount rate of 3.5%.

The obligation will be released on disposal of the subsidiaries.

A reconciliation of the asset retirement obligation is as follows:

	31 January 2015 $000	**31 December 2013** $000
Liabilities, beginning of year	**1,939**	1,678
Accretion expense	**43**	37
Reduction in provision estimate	**(139)**	-
Revision to estimate	**-**	224
Disposal of subsidiary	**(1,640)**	-
Reclassified to disposal groups held for sale (Note 11)	**(203)**	-
Liabilities, end of year	**-**	1,939

17. Share Capital, Share Options and Share-Based Payments

The Group's share capital for the 13 month period ended 31 January 2015 and the year ended 31 December 2013 is as follows:

	31 January 2015	31 December 2013
Authorised		
Unlimited number of common shares at nil par value	-	-
Number of common shares in issue	**1,069,644,495**	704,089,741
	\$000	\$000
Issued and fully paid		
Share capital	**25,311**	24,692

Allotments during the period ended 31 January 2015

Date	Description	Price per share ($)	Number of shares issued	Total consideration received $000
17 January 2014	Shares issued in lieu of payments	0.0046	7,154,724	33
21 January 2014	Conversion of loan notes	0.0032	3,128,206	10
31 January 2014	Conversion of loan notes	0.0032	3,128,206	10
10 Feb 2014	Conversion of loan notes	0.0032	7,820,513	25
17 April 2014	Conversion of loan notes	0.0025	3,986,929	10
06 May 2014	Conversion of loan notes	0.0024	8,446,671	20
09 June 2014	Conversion of loan notes	0.0017	9,045,226	15
18 June 2014	Conversion of loan notes	0.0015	10,259,917	15
26 June 2014	Conversion of loan notes	0.0016	30,750,308	50
18 July 2014	Shares issued in lieu of payments	0.0027	32,168,554	88
23 July 2014	Shares issued in lieu of payments	0.0021	9,487,667	20
30 July 2014	Shares issued in lieu of payments	0.0024	8,067,940	19
15 August 2014	Shares issued in lieu of payments	0.0018	8,858,490	16
12 Sept 2014	Shares issued in lieu of payments	0.0028	30,599,883	84
12 Sept 2014	Shares issued in lieu of payments	0.0028	32,651,520	90
30 January 2015	Placing of shares	0.0008	160,000,000	120
			365,554,754	625

During the period ended 31 January 2015 the Group issued 365,554,754 common shares (2013: 126,508,021 shares) and received proceeds of \$625,517 (2013: \$1,091,557) before expenses of \$6,000 (2013: \$150,000).

Equity financing facility
During 2012, the Group entered into an equity financing facility with Darwin Strategic Ltd.

The facility allowed drawdowns of up to £15m in total over the course of 3 years. Drawdowns, which are at the Group's discretion, comprise the issue of common shares in Sefton Resources Inc to Darwin for cash, with the issue price being based on recent trading prices, less a 5% discount. The common shares issued under these drawdowns are equity instruments.

As part of the arrangement, Darwin also has the right to subscribe for up to 10% of any placings of common shares by the Company. Darwin also received warrants over 3,500,000 of the Company's common shares: these warrants had a fair value at issue date of $40,048.

The Group has received £nil during the year (year ended 31 December 2013: £70,500) as part of this arrangement, in exchange for nil common shares (year ended 31 December 2013: 16,000,000). The financing facility was terminated by the Group in June 2015.

Share options and share-based payments
The Group maintains an incentive share option plan whereby from time to time at the discretion of the Board, options to purchase common shares may be granted to the Directors, Consultants and Employees of the Group.

The plan specifies that the subscription exercise price of such options shall not be less than the applicable market price of the common shares at the date of grant of the relevant option. The number of common shares for which options may be granted is limited so that at any time the total number of common shares subject to option under the plan will not exceed 10% of the total number of common shares issued and outstanding.

The options vest over a three year period and have a ten year life. The Group records a share-based payment expense based on an estimate of the fair value of the option awarded. The fair value is estimated using a Black-Scholes option pricing model.

The fair value of the various options is determined using a Black-Scholes option pricing model and based on the inputs below.

Grant date	**18-Mar-08**	**25-Jun-08**	**1-Jan-11**
Number of options	3,850,000	2,750,000	13,000,000
Share price at grant - pounds	0.0578	0.0675	0.0150
Exercise price – pounds	0.0600	0.0650	0.0175
Volatility	62.78%	67.17%	161.51%
Dividend yield	nil	nil	nil
Risk free investment rate	0.014	0.0248	0.0325
Option life – years	6.5	6.5	10.0
Fair value per share option - pounds	0.034	0.044	0.0149

Grant date	**7-Feb-11**	**24-Jul-11**	**27-Sep-11**
Number of options	1,000,000	3,500,000	5,500,000
Share price at grant - pounds	0.0180	0.0305	0.0224
Exercise price – pounds	0.0200	0.0350	0.0350
Volatility	122.40%	163.06%	69.01%
Dividend yield	nil	nil	nil
Risk free investment rate	0.0325	0.0325	0.0325

Option life – years	10.0	10.0	10.0
Fair value per share option - pounds	0.0171	0.302	0.0158

Grant date	**05-Jul-13**
Number of options	27,000,000
Share price at grant - pounds	0.0047
Exercise price – pounds	0.0063
Volatility	70.43%
Dividend yield	nil
Risk free investment rate	0.014
Option life – years	5
Fair value per share option - pounds	0.0018

Warrants

Warrants issued in December 2013 alongside convertible loan notes were fair valued using a Black-Scholes option pricing model.

Warrants issued in June 2012 as part of the arrangement of the equity financing facility were also fair valued using a Black-Scholes option pricing model.

Inputs to the Black-Scholes pricing model for all warrants issued are detailed below:

Grant date	**Jun-12**	**Dec-13**
Number of warrants	3,500,000	5,141,779
Share price at grant - pounds	0.0163	0.0036
Exercise price – pounds	0.0325	0.0036
Volatility	95.50%	73.09%
Dividend yield	nil	nil
Risk free investment rate	0.0079	0.0175
Warrant life – years	3	3
Fair value per warrant - pounds	0.0074	0.00175

The fair value of share warrants has been recognised in the retained earnings reserve.

The expense for warrants issued alongside convertible loan notes was treated as a transaction cost and deducted from the loan liability accordingly (see note 14).

The expense recognised in finance costs for the period in relation to the share warrants issued in previous reporting years is $23,361 (2013: $10,012).

The following is a summary of share options and warrants for the reporting periods ended 31 January 2015 and 31 December 2013, share-based payment expense for the reporting periods ended 31 January 2015 and 31 December 2013, and employees, consultants and Director option holdings as of 31 January 2015.

Awards, expirations and relinquishments

	Number of options	Exercise price	Number of warrants	Exercise price
Outstanding at 31 December 2012	30,916,666	$0.0217-$0.1164	3,500,000	$0.0506
Granted	27,000,000	$0.0093	5,141,779	$0.0059
Outstanding at 31 December 2013	57,916,666	$0.0093-$0.1164	8,641,779	$0.0059-$0.0506
Cancelled / lapsed	(17,999,999)	$0.0093 - $0.0542	-	-
Outstanding at 31 January 2015	39,916,667	$0.0093-$0.1164	8,641,779	$0.0059-$0.0506
Weighted average exercise price		$0.02801		$0.05055
Options / warrants vested and exercisable at 31 January 2015		31,916,668		3,500,000

Share-based payment expense

The following outlines share-based payment expense in relation to share options for the 13 month period ended 31 January 2015 and the year ended 31 December 2013:

	31 January 2015 $000	31 December 2013 $000
Share-based payment expense	**176**	234

Share option exercise prices are set in sterling and have been converted to US dollars at the respective year-end exchange rates.

At 31 January 2015, the Group's Officers and Directors held the following options:

Officer or Director	Number of options held	Expiration dates	Exercise prices £	Average exercise price £
K Morris	4,000,000	7/5/18	0.00625	0.00625
T Milne	4,000,000	7/5/18	0.00625	0.00625
M Smith	8,000,000	9/26/2021– 11/11/2021	0.00625 – 0.035	0.01406
Total	16,000,000			

At 31 December 2013 the Group's Officers and Directors held the following options:

Officer or Director	Number of options held	Expiration dates	Exercise prices	Average exercise price
			£	£
K Morris	4,000,000	7/5/18	0.00625	0.00625
T Milne	4,000,000	7/5/18	0.00625	0.00625
M Smith	8,000,000	9/26/2021– 11/11/2021	0.00625 – 0.035	0.01406
Total	16,000,000			

Shares reserved for employee benefit pool

During 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 the Group.

18. Loss Per Share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding during the reporting period.

Given the Group's reported loss for the reporting periods presented, share options and warrants are not taken into account when determining the weighted average number of Ordinary Shares in issue during the reporting periods and therefore the basic and diluted earnings per share are the same.

Basic loss per share

	31 January 2015	**31 December 2013**
	$'s	$'s
Loss per share from continuing and discontinued operations	**(0.00989)**	(0.02047)
Loss per share from continuing operations	**(0.00062)**	(0.00360)

The loss and weighted average number of common shares used in the calculation of basic loss per share are as follows:

	31 January 2015	**31 December 2013**
	$000	$000
Loss used in the calculation of total basic and diluted loss per share	**(8,035)**	(13,769)
Loss used in the calculation of basic and diluted loss per	**(500)**	(2,389)

share from continuing operations

	As at 31 January 2015	As at 31 December 2013
Number of common shares		
Weighted average number of common shares for the purposes of basic loss per share	**812,741,519**	672,715,707

If the Company's share options and warrants were taken into consideration in respect of the Company's weighted average number of common shares for the purposes of diluted earnings per share, it would be as follows:

Number of common shares		
Dilutive effect of share options and warrants	**4,950,433**	47,795,096
Weighted average number of common shares for the purposes of diluted loss per share	**817,691,952**	720,510,803

19. Leases

The Group has the following minimum future payments on non-cancellable operating leases:

	31 January 2015 $000	31 December 2013 $000
Buildings		
Expiring within one year	**4**	10
Equipment		
Expiring within one year	**4**	2

20. Disposal of Subsidiary

At 31 January 2015, the assets and liabilities of TEG USA were classified as a disposal due to the fact that the Purchase and Sale Agreement for the transaction was signed on 16 January 2015 and shareholder approval was received for the transaction on 30 January 2015.

Hawker Energy LLC advanced a total of $1,850,000 to Sefton for the TEG USA asset in the months previous which was key to the Company's ability to continue to operate the asset. Without the advancement of these funds, the Company would have defaulted on the loan agreement.

Given the fact that the consideration transferred for the sale on 1 February 2015 were solely equity instruments and the transaction was approved by shareholders before the fiscal year end, it was determined that these events triggered the transfer of control to Hawker Energy, therefore Management determined it was prudent classify the subsidiary as a loss on disposal as at 31 January 2015.

Consideration received:

	31 January 2015 $000
3,000,000 shares of Hawker common stock	**180**
5,000,000 share purchase warrants with an exercise price of $0.25, valid for five years from date of issue	**-**
	180

Analysis of assets and liabilities of subsidiary (TEG USA):

	31 January 2015 $000
Non-current assets	
Property, plant and equipment	**10,746**
Current assets	
Cash and cash equivalents	**8**
Trade and other receivables	**23**
Total assets	**10,777**
Non-current liabilities	
Retirement obligation	**(998)**
Asset retirement obligation	**(1,638)**
Current liabilities	
Trade and other payables	**(856)**
Borrowings	**(5,675)**
Total liabilities	**(9,167)**
Net assets	**1,610**

Loss on disposal of subsidiary (TEG USA):

	31 January 2015 $000
Consideration received	**180**
Net assets disposed of	**(1,610)**
Loss on disposal	**(1,430)**

The loss on disposal is included in the loss for the year from discontinued operations (note 10).

Net cash outflow on disposal of a subsidiary:

	31 January 2015 $000
Less: Cash and cash equivalent balances disposed of	**(8)**

21. Contingent Liabilities

On 18 March 2015, Sefton and TEG MidContinent's status as co-borrowers with Hawker Energy LLC on TEG USA's outstanding loan with the Bank of the West was lifted (note 22). As such, no recognition of a provision for the potential liability was made in the accounts for this amount.

On 14 May 2015 a claim was filed in the district court of Denver by the former Chairman, James Ellerton against Sefton, two of its directors, and a former director which outlined unspecified damages in connection with his resignation from the board and the termination of the consulting contract with C&J Resources, Inc. ("C&J"). This matter remains unsettled as at the date of the release of these accounts, however the Board has received a firm US legal opinion that Mr Ellerton's claims are without merit. Furthermore, the Company has a suite of counterclaims which it is prepared to file against Mr Ellerton and C&J Resources in relation to the activities he performed whilst a Director. Some of these claims were filed when the Company was in arbitration with Mr Ellerton in 2014.

The Company had not other contingent liabilities as at the balance sheet date.

22. Post Balance Sheet Date Events

On 2 February 2015, Mr Daniel Levi was appointed as the Company's interim Executive Chairman.

On 24 February 2015 the Company raised gross funds of £900,000 through a placing for new common shares of no par value in the capital of the Company. The new Shares were subscribed for by private clients of Cornhill Capital Limited at a price of 0.055 pence per share, resulting in a total of 1,636,363,636 new shares being issued. As part of the placing, the Company issued Cornhill with 81,818,182 warrants to subscribe for Shares at a price of 0.1 pence per share, exercisable for a period of three years. The warrants were exercised in full by the 29th of May 2015.

The Company also issued 4,918,857 Shares in satisfaction of a contracted remuneration payment of $9,972 due to an employee of TEG USA for the prior year.

On the same date, Mr. Clem Chambers was appointed as a Non-Executive Director and Mr. Daniel Levi was granted 65 million options at a price of 0.05 pence. These options were fully exercised by Mr Levi on the 28th of April 2015.

On March 18, 2015, a Sixth Amendment to the Forbearance Agreement ("Sixth Amendment") was entered into amongst Sefton, TEG USA, TEG MidContinent, Hawker Energy LLC and the Bank of the West ('BOTW'). Under the Sixth Amendment, the BOTW released Sefton and TEG MidContinent from all respective obligations under the Credit Agreement (other than the surviving obligations in respect of indemnification) and removed Sefton and TEG MidContinent as Borrowers under the Credit Agreement.

As and in consideration of that release, the BOTW was (i) paid $400,000 by Sefton, which was applied against the amount outstanding under the Loan as well as an additional $15,000 paid by Sefton to cover the BOTW's lawyers fees, (ii) delivered a Collateral Assignment of Note, executed by Sefton in favour of BOTW and acknowledged and agreed to by Hawker ("Collateral Assignment"), collaterally assigning to BOTW, to secure all obligations of Borrowers under the Credit Agreement, a Promissory Note, dated March 18, 2015 in the principal amount of $400,000, issued by Hawker in favour of Sefton (the "Hawker Note"), and (iii) delivered the original Hawker Note. In addition, under the terms of the Sixth Amendment, Sefton agreed to return to Hawker for cancellation (a) its Warrant to purchase up to an additional 5,000,000 shares of Hawker common stock for $0.25 per share (which was issued as part of Hawker's acquisition of TEG USA), and (b) 1,500,000 shares of Hawker common stock. All funds were transferred and the transaction was settled by the 20th of March 2015.

On 19 March the Company changed brokers from Dowgate Capital Limited to Cornhill Capital Limited ('Cornhill').

On 23 April 2015, Mr Levi resigned as interim Executive Chairman and Ms. Raylene Whitford was appointed as the Company's Executive Chief Financial Officer and Company Secretary.

On 28 April 2015, Mr Levi exercised all of his options and 65 million shares were issued at a price of 0.05 pence. Furthermore, Cornhill exercised 57,409,091 of their outstanding warrants at a price of 0.1 pence.

Post Balance Sheet Date Events (cont.)

On 8 May 2015 Mr Clem Chambers resigned as a Non-Executive Director and Mr Jossy Rachmantio was appointed as a Non-Executive in his place. The Board approved the issuance of 13,636,364 shares to Mr.Clem Chambers at a price of 0.055 pence in line with his Non-Executive Director

The Company learned a complaint was lodged on 14 May 2015 by Mr James Ellerton on behalf of himself and his former service company, C&J Resources, in the District Court of Denver, Colorado against the Company, two of its directors and a former director claiming unspecified damages in connection with his resignation from the board, the termination of the consulting contract pursuant to which he was providing services and the completion of the transaction with Hawker Energy. The Board has received a firm US legal opinion that Mr Ellerton's claims are without merit and the Company has a suite of counterclaims which it is prepared to file against Mr Ellerton and C&J Resources in relation to the activities he performed whilst a Director. Some of these claims were filed when the Company and Mr Ellerton were in arbitration in 2014.

On 11 June 2015 the Company filed to have the matter removed from the district courts of Denver to the federal court of Colorado. The application was accepted and a preliminary hearing date for the case has been set for 31 August 2015.

On 29 May 2015 the remaining balance of Cornhill's outstanding warrants originally issued on the 24 February 2015 were exercised (24,409,091) at the price of 0.1 pence.

On 16 June 2015 the Company raised gross funds of £799,500 through a placing for new common shares of no par value in the capital of the Company. The new Shares were subscribed for by private clients of Novum Capital Limited at a price of 0.065 pence per share, resulting in a total of 1,230,000,000 new shares being issued. As part of the placing, the Company issued Novum Capital with 615,000,000 warrants to subscribe for Shares at a price of 0.065 pence per share, exercisable until the earlier of new financing raised or 31 August 2015.

On 22 June 2015 the Company has issued 16,600,499 new common shares of no par value to Magna Group, LLC at a price of 0.065 pence per Share. The shares were issued in accordance with the terms of the financing announced on 8 January 2014, as a substitution of the 5,141,779 warrants to subscribe for Shares at the lower of 0.36 pence per Share or the current volume weighted average price, as announced at that time, and calculated in accordance with a formula incorporated into the financing agreement.

On 25 June 2015, the Company entered into a Development Agreement with UTAS Petroleum – a consultancy company owned by Rob Shepherd. Under the terms of the Development Agreement, the Company made an advanced payment under commercial terms of £500,000 to UTAS to allow the JV to progress the due diligence and possible funding arrangements for certain oil and gas properties in Indonesia which have been identified as potential target assets.

All activities undertaken and expenditure made by UTAS in relation to the Potential Transaction require pre-approval by the Company. Furthermore, a JV committee has been formed on which Directors of the Company will form a majority of the representatives and which will be responsible for the decisions made at all levels of the JV. The Board will receive updates on the progress of the work performed on a regular basis.

Post Balance Sheet Date Events (cont.)

On 30 June 2015 the Company entered into a provisional purchase and sale agreement with a third party to acquire all the assets and liabilities of Sefton's two wholly owned subsidiaries: TEG MidContinent Inc. and TEG Transmission LLC in Kansas. The purchase price for the transaction is $400,000 and transfers the responsibility for all plugging liabilities for all the wellbores included on the leases.