



ANNOUNCEMENT TO THE AUSTRALIAN STOCK EXCHANGE: 30 OCTOBER 2008

SEPTEMBER QUARTER HIGHLIGHTS

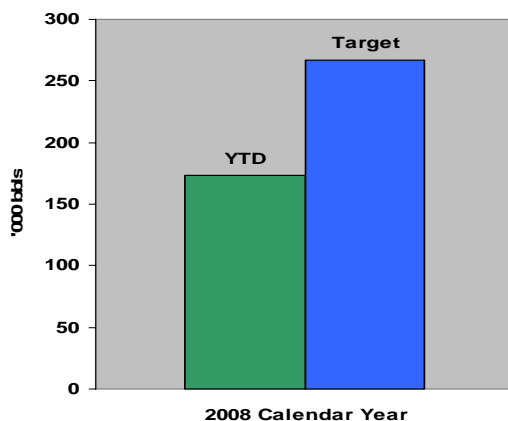
- 19% increase in production over last quarter
- 22% increase in \$A revenue (11% increase in \$US revenue)
- Cash of \$8.2 million, no debt with working capital up 54% since year end
- First quarter EBITDA (unaudited) of A\$5.4 million
- Production drilling to re-commence at North San Ardo
- Two further farm-in partners committed to San Joaquin drilling program
- Drilling at Paris Valley confirmed for Q1 2009
- No health, safety or environment incidents during the quarter
- Share buy-back continued with 2.4 million shares acquired during quarter

PRODUCTION AND FINANCIAL SUMMARY

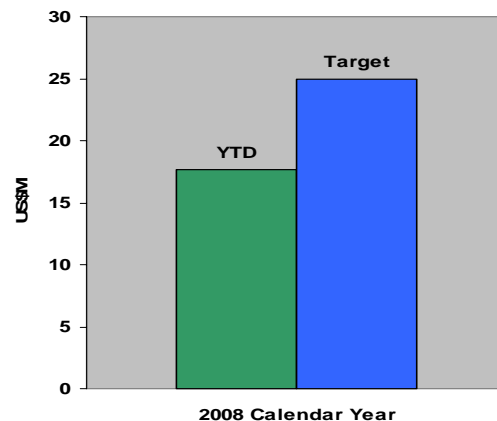
	Sept 08 Qtr	June 08 Qtr	March 08 Qtr	Calendar YTD
Production (bbls)	78,649	66,267	28,185	173,101
Average Daily Production (bopd)	855	728	310	632
Revenues (\$US)	\$8.1M	\$7.3M	\$2.3M	\$17.7M
Average Price per bbl (\$US)	\$103.54	\$110.22	\$81.57	\$102.31
Operating Cost per bbl* (\$US)	\$8.05	\$9.97	\$20.80	\$10.87

* excludes royalty payments (NSA:22%)

YTD Production v Target Production



YTD Revenue v Target Revenue



OVERVIEW

With the onset of the recent global financial crisis, a direct result of which has been a significant fall in the oil price and the value of the Australian dollar, the Company has intensified its focus on building its cash reserves and maintaining a profitable operation at its North San Ardo (NSA) oil field redevelopment project.

Production at NSA during the last quarter increased 19% over the previous three months and quarterly production levels are expected to be stable to increasing over the remainder of the financial year as more production wells are brought on line. A total of five additional production wells are planned to be drilled before the end of this financial year (30 June 2009).

The fall in the oil price and the value of the Australian dollar has been equally as dramatic as the rise earlier in the year. The fall in oil price may result in Salinas not meeting its calendar year revenue target of US\$25 million however the Company does expect to easily exceed its initial target of US\$20 million which was set before the rapid rise in oil prices earlier in the year. The fall in the value of the \$A will somewhat offset the fall in \$US denominated revenue.

At NSA, the Company recently completed the installation of the gas supply line and Salinas is now accessing lower cost gas for use in the NSA production facility, further reducing operating costs. Operating costs per barrel for the quarter were at just over US\$8 per barrel, a significant reduction of 20% over the previous quarter.

The McCool field was brought into production during the quarter, with relatively low levels of production being achieved from the Capps 1-22H well plus two of the original vertical wells in the field. This field has the potential to contain up to one million barrels of recoverable oil however with the recent fall in oil prices further development drilling in the field is not warranted at this time.

During the quarter, applications were made to the local County to allow drilling to commence at the Paris Valley heavy oil field which has in excess of 100 million barrels of oil in place and in which Salinas is targeting recoverable reserves of at least 25 million barrels. Drilling is expected to commence in February or March 2009.

The Company has successfully been leasing additional acreage surrounding and on trend from the San Ardo area oil field redevelopment projects. This initiative involves over 21,000 acres of land and Salinas will be continuing active leasing of these and additional areas during the next quarter. The Company has become the most active independent oil producer in the Salinas Basin.

PROJECTS

Salinas Basin

North San Ardo Oil Field – (Salinas 100%)

Production levels and sales from NSA during the quarter are detailed on the following page. Sales volumes for the quarter increased 19% over the previous quarter and \$US sales revenues were 11% higher. No new production wells were brought on stream during the quarter and with the fall in the oil price, revenues also fell towards the end of the quarter. Production drilling will re-commence this month with at least one new production well being brought on line before the end of the year.

Additional wells are planned early in 2009 but the number of additional wells is dependent on oil prices continuing around current levels. New wells remain economic at much lower oil prices (sub US\$40) but it may be more appropriate for the Company to preserve its capital

for other opportunities if the payback on new wells exceeds 12 months. Previous production wells have paid back within 3-4 months which is an excellent return on capital.

Monthly production and revenue for the quarter was as follows;

Month	Barrels*	Average BOPD	Sales Revenue (\$US)
September	21,572	719	1,912,404
August	26,507	855	2,656,720
July	30,570	986	3,573,963
Sept Qtr Total	78,649	855	8,143,087
Prior Quarter	66,267	728	7,303,689

*These are gross sales volumes which are less than production volumes and have been corrected for temperature and BS&W.

Operating costs were reduced 20% to US\$8.05/bbl, down from US\$9.97/bbl in the previous quarter. In addition to these operating costs, the Company pays royalties totaling 22% of revenues to mineral rights owners and other royalty holders. The field is highly profitable even at current oil prices.

Facilities work continued during the quarter with final commissioning of the natural gas supply pipeline. Natural gas is used for heating the equipment to keep the heavy oil moveable and in the future, will be used to generate steam for the secondary recovery process. The cost savings of this will be seen over the next quarter as the Company will no longer need to use on-site propane tanks as a gas source.

Paris Valley Oil Field – (Salinas earning 50%)

The Paris Valley field is located six miles from the successful North San Ardo project and contains estimated oil in place of over 100 million barrels. The Company has recently commissioned a reserves report on the existing known oil resource and a 2P reserve certification is expected to be completed shortly.

During the quarter, Salinas continued to prepare for drilling which is now expected to commence in early 2009. The environmental approval process may take up to three months and due to the long prior period of dormancy at Paris Valley, has been a more onerous task than was originally envisaged.

McCool Ranch Oil Field – (Salinas 100%)

The McCool field is now producing oil at rates of between 10 and 20 bopd. Limited facilities have been assembled at the site and whilst oil prices remain at these levels, no further capital expenditure is planned at this time. Further remedial work to increase oil production may occur in the future when there is a better understanding of the reservoir and a likelihood of an improved economic return.

Salinas is earning a 100% working interest in the lease covering this part of the McCool field and a 75% net profit interest.

Exploration and Leasing Activity

Salinas is actively leasing additional prospective acreage surrounding and on trend from the Company's oil field redevelopment projects. 27 miles of 2D seismic data was recorded by Salinas across a selection of the new lease areas and data, which is of a very high quality, is now being interpreted. Salinas anticipates a significant number of leads and prospects will be generated as a result of this and other data acquired by Salinas in the area, which are expected to be matured for drilling in the 2009 calendar year.

Salinas has acquired or is in the final stages of acquiring over 21,000 acres of land in the Salinas Basin and is already recognized as the most active independent oil company in the general area.

San Joaquin Basin

Southern San Joaquin Acreage - (Salinas 100%)

Salinas announced during the quarter that L&M Petroleum has agreed to join Salinas and its existing partners in the Southern San Joaquin exploration program. An additional, as yet, unnamed party has also agreed to participate in the drilling program.

Salinas has agreed with its partners to delay the drilling until early in the New Year. The commencement of drilling is also dependent on securing one further farm-in partner to limit the Company's cost exposure to the wells. Salinas will operate the wells and expects to retain a 30-40% working interest in each project.

Well locations have been permitted and the Company has acquired long lead items in anticipation of drilling the light oil prospects which will target Miocene age sandstone reservoirs which are located beneath (Osso Bucco) or adjacent to (Merlot) large oil and gas fields. The prospects have potential for recoverable oil resources of between 10 million and 30 million barrels.

CORPORATE

At the end of the quarter Salinas had cash reserves of A\$8.2 million and no debt which puts the Company in a very strong financial position. With operating costs per barrel being significantly reduced over the last year as the production facilities were completed, the Company continues to make very good margins on its oil production even at prices of less than US\$50 per barrel. The Company continually monitors its costs to ensure that capital expenditure, operating costs and corporate overheads are appropriately managed.

During the quarter, the Company reviewed a number of new business opportunities but due principally to unreasonably high price expectations from vendors, the Company chose not to pursue any of them at this time. With the recent drop in oil price and general financial market volatility, vendor price expectations are lower and the Company is actively pursuing a number of new opportunities that have the potential to add significant shareholder value.

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