



ANNOUNCEMENT TO THE AUSTRALIAN STOCK EXCHANGE: 30 JANUARY 2009

DECEMBER QUARTER HIGHLIGHTS

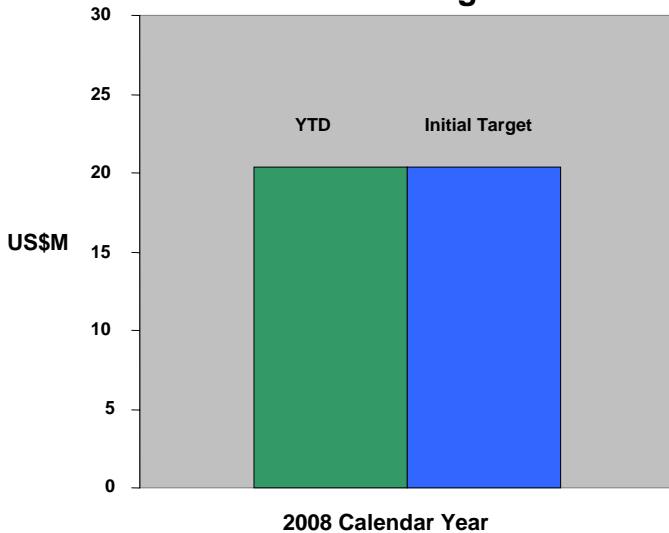
- US\$20.1 million revenue generated in calendar 2008 meeting target
- East San Ardo oil field extension project upgraded by new seismic
- One production and one water disposal well drilled at North San Ardo
- No health, safety or environment incidents during the quarter
- Business wide cost reduction program initiated

PRODUCTION AND REVENUE SUMMARY

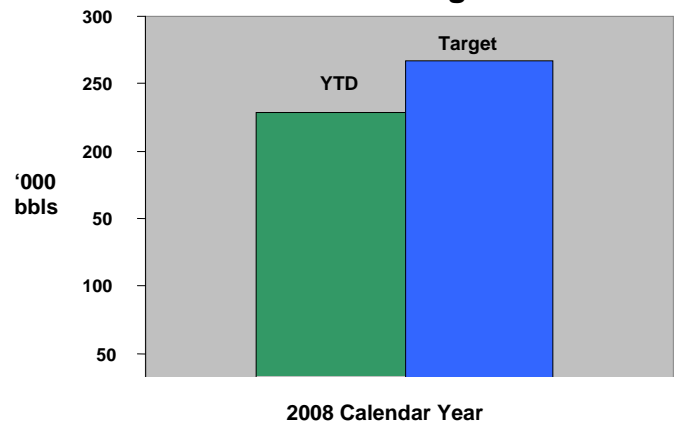
	Dec 08 Qtr	Sept 08 Qtr	June 08 Qtr	March 08 Qtr	Calendar YTD
Production (bbls)	55,555	78,649	66,267	28,185	228,659
Average Daily Production (bopd)	604	855	728	310	626
Revenues (\$US)	\$2.4M	\$8.1M	\$7.3M	\$2.3M	\$20.1M
Average Price per bbl (\$US)	\$41.59	\$103.54	\$110.22	\$81.57	\$87.97
Operating Cost per bbl *	\$12.75	\$8.05	\$9.97	\$20.80	\$11.60

* excludes royalty payments (NSA:22%)

YTD Revenue v Target Revenue



YTD Production v Target Production



OVERVIEW

The Company has achieved its initial revenue target for calendar 2008 of over US\$20 million. This was on the back of strong oil prices and increasing production rates through to the end of the previous quarter however the contribution from the December quarter was well down on expectations due mainly to the precipitous drop in oil prices.

The December quarter figures have also been affected by underperformance of the most recent horizontal production well Lombardi 14-27 which although completed for production is not producing at the rates expected. This is the first such result from an otherwise highly successful production well drilling record on the North San Ardo oil field (NSA).

Despite a range of cost efficiency measures (including reductions in capital expenditure, operating costs and staff reductions) the revenue outlook for the next quarter will remain low unless there is an increase in oil price.

In this environment although the Company has additional production well locations that could be drilled to increase oil production at NSA this drilling has been deferred (and capital preserved) until there is more certainty about oil prices.

Notwithstanding the difficult commercial conditions the Company is continuing to add to its portfolio of oil and gas assets in the Salinas and San Joaquin Basins and will maintain at least a minimum drilling program on the Paris Valley oil field and in the San Joaquin Basin if drilling costs there can be fully covered by farmin partners.

PROJECTS

Salinas Basin

North San Ardo Oil Field – (Salinas 100%)

The production and revenue figures in the table below illustrate the effect of falling oil prices together with reduced production levels. The latter as a result of natural well decline, deferment of drilling additional production wells and under performance of the most recent well drilled the Lombardi 14-27H. This well was brought on stream in December producing at approximately 25 bopd instead of the initial 200 bopd expected. This is the only horizontal producer of 9 drilled so far that has underperformed and it is not yet certain whether the cause is mechanical or to do with the oil reservoir in that part of the field. A remedial program is being planned.

Despite the reduction in oil price received to levels of less than US\$30 per barrel (the heavy oil is discounted to light crude benchmarks such as WTI) the NSA field remains cash flow positive. This is testament to the fact the Company is able to produce it on primary production, without the need for added secondary recovery costs (steam) and to the quality of the project as a whole.

Month	Barrels*	Average BOPD	Sales Revenue (\$US)
December	18,164	586	424,522
November	16,182	539	661,052
October	21,209	684	1,284,343
Dec Qtr Total	55,555	604	2,369,917
Prior Quarter	78,649	855	8,143,087

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

Operating costs reduced have continued to be reduced during the latest quarter; however with the reduction in the number of barrels produced the unit cost per bbl has increased from US\$8.05/bbl in the previous quarter to US\$12.75/bbl this quarter. In addition to these operating costs, the Company pays royalties totaling 22% of revenues to mineral rights owners and other royalty holders.

Paris Valley Oil Field – (Salinas earning 50%)

Final permitting for the drilling of the Company's first well to be sited on the large, northern compartment of the field, is nearing completion.

In keeping with Monterey County regulations a public hearing of the Company's well plans is due late in January and if this is clear than the Company will be free to drill in March.

McCool Ranch Oil Field – (Salinas 100%)

The McCool field was produced inconsistently at low oil rates during the quarter through temporary facilities but has been shut in pending an improvement to commercial terms and a review of the reserves and production upside of the project.

East San Ardo oil field extension project – (Salinas 100%)

Resulting from proprietary mapping carried out internally, in June last year Salinas acquired a 332 acre lease over a mapped extension of the giant San Ardo oil field. The Company acquired the land at low cost and on attractive terms (it is subject to a 16.67% royalty burden as opposed to 22% at NSA).

A 2D seismic line was subsequently shot across the lease which helped to refine the mapping and has supported an upwards revision to the oil potential.

The Company estimates oil in place of up to 8.6 million barrels and a low cost vertical well to a depth of 2,000 feet is being planned to test the potential.

Exploration and Leasing Activity

Salinas is the most active independent producer and operator of oil acreage in the Salinas basin and during the quarter increased the Company's land holdings to over 30,000 acres on trend and surrounding existing fields. Most of the acreage was acquired at relatively low cost by optioning the land with a commitment to convert to leases at a later date if the oil potential merits. A geological, geophysical and engineering evaluation of the land is planned over the next 6 to 12 months to document the potential and confirm drill targets. The cost of this program will be offset by the introduction of farmin partners.

San Joaquin Basin

Southern San Joaquin Acreage - (Salinas 100%)

Salinas continued with a program to farmout the drilling costs of the currently mature for drilling prospects Osso Bucco and Merlot. A final farmin partner is still needed to provide the Company with coverage of drilling costs on firstly the Osso Bucco prospect.

In addition to the farmout activities the company completed a first stage study of remaining oil and gas potential in previously produced reservoirs of the large Paloma oil and gas field which directly overly Osso Bucco and are covered by the Company's leases. This work has

identified potential in particular for additional light oil recovery and follow up activity is being planned to determine whether it can be extracted commercially.

The Company has also optioned two additional prospects that are mapped as the extension of existing oil and gas fields. Certain conditions precedent need to be met however before the Company commits to these very attractive projects.

CORPORATE

The NSA field was producing profitably despite received oil prices dropping by December to less than US\$30 per barrel and a range of cost efficiency measures were enacted across the Company's business.

The Company has reduced its corporate overhead significantly and although reducing overall staffing numbers in the USA, added capability to the USA operations office in Bakersfield with the assignment of a senior technical employee. The Perth office has closed but a representative presence will remain at the current address until further notice.

Managing Director John Begg is also relocating to Bakersfield in February and will work closely with Resident Manager Greg Wagner to strengthen the Company's California oil production and exploration business.

During the quarter the Company acquired according to the previously initiated buy back program 344,145 of its own shares at a cost of \$54,235. The Company buy back program ceased on 23 January 2009.

Enquiries

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