



ANNOUNCEMENT TO THE AUSTRALIAN STOCK EXCHANGE: 29 JULY 2008

QUARTERLY REPORT

HIGHLIGHTS

Salinas Basin:

North San Ardo:

- Sales revenues up 218% on last quarter to US\$7.3 million and expected to further increase next quarter.
- Production (sales) of 66,267 barrels, an increase of 135% over last quarter.
- Operating costs per barrel substantially reduced to less than \$10/bbl with higher production volumes and improvements in overall plant efficiency.
- High activity levels at NSA with four horizontal production wells completed during the quarter in addition to further production facility work.

Paris Valley:

- Revised agreement signed with Nations Petroleum to allow acceleration of field activities at Paris Valley.
- Title work completed with the necessary curative matters currently being addressed.
- Drilling locations being finalized with permitting and long lead items being acquired for anticipated commencement of drilling later in 2008.

McCool Ranch:

- Temporary facilities installed to allow Salinas to commence long term, high fluid volume production test. Two original vertical wells and the horizontal well drilled by Salinas to be tested over the coming months.

New Ventures:

- Additional leases acquired by Salinas covering over 10,000 acres in the Salinas Basin including a lease interpreted to contain an extension of the giant San Ardo oil field.

Corporate:

- 2007/08 financial year sales revenues (accrued basis) of US\$12.8 million.
- Debt free with cash on hand at 30 June 2008 of A\$6.1 million, with June sales revenue of US\$3.5M received during July.
- Mr. David Bradley appointed as non-executive Director on 29 April 2008.
- Share buy-back continuing with 1,643,232 shares acquired up to 30 June 2008 for \$590,417 at average price of \$0.36 per share.

OVERVIEW

Focus remains on the Company's San Ardo area oil field redevelopment projects with production at NSA increasing to new highs during the three months ended 30 June 2008. Record oil prices also contributed to significant increases in revenues during the quarter as tabled below.

Field work at NSA comprised drilling four additional horizontal production wells and further facility work. The major project being undertaken at present is the installation of the three inch gas line which will be connected to the nearby trunk line. This will allow Salinas to access lower cost gas for use in the NSA production facility, reducing operating costs. Further drilling at NSA is planned to commence in mid to late September with up to an additional three horizontal production wells planned.

Work continues on bringing the McCool field into commercial production, with a longer term production test on the Capps 1-22H well to commence shortly along with production tests of two of the original vertical wells. This field is expected to contain up to one million barrels of recoverable resource and it is expected that following a successful long term production test, Salinas will be able to book reserves from this field.

Further progress was made during the quarter with affirmative legal opinions on the title issues that have delayed activity at Paris Valley. Subsequent to the end of the quarter, a revised agreement was signed with Nations Petroleum that will allow Salinas to accelerate activity. Paris Valley is a 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.

The Company has successfully been picking up additional acreage surrounding and on trend from the San Ardo area oil field redevelopment projects and will be continuing this activity in the next quarter.

Salinas consolidated its California offices to Bakersfield which was officially opened on 12 June 2008 by the Mayor of the city. The event was attended by over 100 industry identities, further raising the profile of the Company in the Californian oil industry.

PROJECTS

Salinas Basin

North San Ardo Oil Field – (Salinas 100%)

Production levels and sales from NSA during the quarter are detailed below. Sales volumes for the quarter increased 135% over the March quarter and accrued sales revenues were 218% higher. Sales increased month by month during the quarter as new production wells were brought on stream. The NSA field now has seven horizontal wells and two vertical wells on production.

Month	Barrels*	Average BOPD	Sales Revenue (\$US)
June	30,482	1,016	3,562,165
May	21,960	708	2,403,594
April	13,825	461	1,337,930
June Qtr Total	66,267	728	7,303,689
Prior Quarter	28,185	310	2,299,026

*Gross sales volumes are less than production volumes which are corrected for temperature and BS&W.

Operating costs continue to be monitored closely with average operating costs per barrel reducing to around \$US9.34/bbl in June. In addition to these operating costs, the Company pays royalties totaling 22% of revenues to mineral rights owners and other royalty holders.

Facilities work continued during the quarter with installation of the custody transfer equipment (LACT unit) and installation of the gas pipeline which will provide the natural gas for the heating equipment and in the future, steam generation. Upon completion (mid August) there will be immediate operating cost savings with the field no longer having to use propane tanks as a fuel source.

The second stage production drilling program was completed during the quarter with four additional horizontal production wells being drilled and completed. Current production rates remain relatively stable but decline from primary production will occur prior to either drilling more production wells or commencement of steaming of the reservoir.

Further production drilling is scheduled for late September with an additional three horizontal production wells to be drilled in the NSA field subject to rig availability and final permitting. Salinas is currently finalising a rig contract and acquiring long lead items and expects to be able to confirm the timing of the next drilling campaign shortly.

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 100MMbbls. Salinas is targeting recoverable reserves of 25MMbbls.

Salinas and Nations Petroleum signed a Memorandum of Understanding on 25 June 2007 (MOU) which provided for Salinas to earn a 50% working interest in the Paris Valley leases held by Nations by carrying out a work program to drill two vertical and two horizontal wells, together with completing a 3D seismic program over the field.

During the quarter, Nations has completed the title and legal work necessary to deliver Salinas good title and subsequent to the end of the quarter on 18 July 2008, Salinas and Nations signed a formal agreement which reflects the terms of the MOU but provides for the lease issues that had been identified.

Salinas expects to be able to confirm timing of commencement of the work program within the next month after certain documentation has been submitted to the authorities and the various stakeholders. Planning is underway to commence the drilling at Paris Valley subsequent to the next phase of production drilling at NSA later in the year.

It is hoped that by applying the modern techniques that Salinas has utilised at NSA, in particular horizontal drilling guided by 3D seismic, that a proportion of the oil in place at Paris Valley, estimated at over 100 million barrels, can be converted to reserves.

McCool Ranch Oil Field – (Salinas 100%)

Initial testing of the Capps 1-22H horizontal well drilled by Salinas resulted in production of oil with a high water cut. The Company believes that if the well can be produced at high total fluid rates and the water produced can be separated from the oil and re-injected into the reservoir then the McCool project can be made commercial.

In order to conduct such a high fluid rate test a permit had to be acquired to dispose the produced water into one of the non productive existing vertical wells on the field. This permit has been issued and Salinas expects to soon commence the testing program which will firstly involve testing of two original vertical producers and then the new horizontal production well.

In addition to the preparations for testing Salinas commissioned an independent review of the oil reservoir and scale of the oil resource. Based on this work the Company is hopeful that if the production testing is successful that the current resource can be certified as recoverable reserves.

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

New Ventures

Salinas is actively leasing additional prospective acreage surrounding and on trend from the Company's oil field redevelopment projects and during the quarter acquired over 10,000 acres including a lease covering what may be an extension of the east flank of the giant San Ardo field. A limited 2D seismic program is being recorded across this lease to help verify the field extension.

San Joaquin Basin

Southern San Joaquin Acreage - (Salinas 100%)

Salinas has commenced permitting of well locations and purchase of long lead items such as casing in anticipation of drilling the Osso Bucco and Merlot wells later in the year. Both wells will target light oil in Miocene age sandstone reservoirs and 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.

Timing of the drilling is dependent on completion of farmout negotiations which are at an advanced stage and will reduce the Company's cost exposure to the wells. Salinas will operate the wells and be cost covered while still retaining the largest working interest in each project.

CORPORATE

At the end of the quarter Salinas had cash reserves of A\$6.1 million and no debt. At current oil prices and production levels, operating cash flows are forecast to be more than sufficient to fully fund the Company through all budgeted activities in the 2008/09 financial year.

On 29 April 2008, Salinas appointed Mr. David Bradley as a non-executive director of the Company. David brings expertise in the business development and marketing sphere together with his extensive industry experience gained as a senior consultant with Wood Mackenzie.

The Company continued to acquire its own shares as part of the previously announced on market buy-back program and has undertaken a selective buy-back of its securities since the announcement of the buy-back on 23 January 2008. During the quarter the Company acquired 770,202 of its own shares at prices ranging from \$0.355 to \$0.39.

Enquiries

Managing Director:

John Begg

Finance Director:

Dougal Ferguson

Contact Details:

Telephone: 08 9380 2111

Facsimile: 08 9380 2112

Website:

www.salinasenergy.com

Appendix 5B

Mining exploration entity quarterly report

Name of entity

Salinas Energy Limited

ABN

49 002 796 974

Quarter ended ("current quarter")

30 June 2008

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (12 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	4,804	10,035
1.2	Payments for		
	(a) exploration and evaluation	(491)	(5,348)
	(b) development	(4,161)	(15,795)
	(c) production	(1,738)	(3,834)
	(d) administration	(811)	(2,690)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	123	415
1.5	Interest and other costs of finance paid	-	(217)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
	Net Operating Cash Flows	(2,274)	(17,434)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	(469)
	(c) other fixed assets	(4)	(54)
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	9	1,238
	Net investing cash flows	5	715
1.13	Total operating and investing cash flows	(2,269)	(16,719)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	17,751
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	2,770
1.17	Repayment of borrowings	-	(2,770)
1.18	Dividends paid	-	-
1.19	Other (principally share buy back costs)	(249)	(590)
	Net financing cash flows	(249)	17,161
	Net increase (decrease) in cash held	(2,518)	442
1.20	Cash at beginning of quarter/year to date	8,609	5,763
1.21	Exchange rate adjustments to item 1.20	(18)	(132)
1.22	Cash at end of quarter	6,073	6,073

Payments to directors of the entity and associates of the director

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	227
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	
	None	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows
- None
- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest
- None

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	971
4.2	Development	4,153
	Total	5,124

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	328	563
5.2	Deposits at call	5,745	8,046
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	6,073	8,609

Changes in interests in mining tenements

	Tenement reference	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	-	-	-
6.2	Interests in mining tenements acquired or increased	San Ardo Areas – various new leases	Nil	0-100%

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (cents)	Amount paid up per security (cents)
7.1	-	-		
7.2	-	-		
7.3	239,359,458	239,359,458		
7.4	(770,202)	(770,202)		
7.5	-	-		
7.6	-	-		
7.7			Exercise price	Expiry date
	7,375,000	-	\$0.40	31/12/08
	1,000,000	-	\$1.00	31/03/09
	3,325,000	-	\$0.80	31/12/08
	6,035,000	-	\$0.80	31/12/10
	1,250,000	-	\$0.50	30/04/11
	375,000	-	\$0.80	30/04/11
7.8	1,250,000	-	\$0.50	30/04/11
	375,000	-	\$0.80	30/04/11
7.9	-	-		
7.10	-	-		
7.11	-	-		
7.12	-	-		

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement gives a true and fair view of the matters disclosed.



Dougal Ferguson
Finance Director

29 July 2008

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.