



Salinas
Energy Limited

ANNOUNCEMENT TO THE AUSTRALIAN STOCK EXCHANGE: 24 JANUARY 2007

Salinas enters into Farmout Agreement

Salinas Energy has entered into a Farmout Agreement with Canadian (TSX listed) Statesman Resources Ltd. whereby Statesman will contribute to an exploration and drilling program of up to four exploration wells in 2007 on leases held 100% by Salinas in the San Joaquin Basin, onshore California.

Under the terms of the Farmout Agreement, Salinas will retain 75% operated interests in the leases and Statesman will;

- Fund 37.5% of the cost of the farmin wells to earn a 25% interest in the drilled leases;
- Pay Salinas 25% of the Company's past costs incurred with respect to the leases; and
- Fund 25% of ongoing geoscience, engineering and administration work that Salinas will carry out to finalise the drilling targets.

Salinas will Operate the planned exploration and drilling program on prospects to be selected after completion of a large mapping project which was initiated by Salinas some months ago.

The drilling program will focus on oil prospects each with recoverable resource potential in excess of 10 million barrels and ranging in depth from 7,500 feet to 12,500 feet. All Salinas' leases are located in oil prone areas adjacent to large producing fields.

Commenting on the transaction Salinas Managing Director John Begg said:

"We are pleased to have Statesman join us through this Farmout Agreement. Having spent much of our first year in the business setting up projects, establishing an operating capability and drilling three wells, 2007 will be a year wherein we balance our activities between developing our 100% held North San Ardo oil project and executing our plans to drill a range of high quality exploration targets. We expect to drill a minimum of eight wells in 2007, commencing in the next few weeks with a four well appraisal and development drilling program at North San Ardo".

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