

ASX RELEASE

17 September 2008

UPDATE ON OPERATIONS AT KOWALIK-1H

Eureka Energy Limited ("Eureka") is pleased to provide the market with an update on operations at the Kowalik-1H well within the Sugarloaf AMI, which is part of the Sugarkane Gas and Condensate Field.

Kowalik-1H

Eureka has been advised by the operator, Texas Crude Energy Inc ("TCEI"), that at 00:00hrs on the 12/09/08 (US CST) the rig suspended operations in preparation for Hurricane Ike, the rig was also evacuated as a precaution. Eureka has been informed that the rig sustained no damage from the hurricane and operations recommenced on the 14/09/08 (US CST).

Since the last operational update drilling of the horizontal section of Kowalik-1H within the target Austin Chalk has continued and as of 06:00hrs 16/09/08 (US CST) the well had reached a measured depth of 13,835 feet. Following minor changes in the rig configuration to more accurately measure gas readings, TCEI have advised an increase in background values to 1,000 - 1,400 units. Gas flares have been observed of a more sustained and substantial nature whilst drilling during the last week and a significant flare occurred following a wiper trip.

Whilst encouraging the commercial significance of these gas shows and flares will not be known until the well has been flow tested.

The horizontal section is targeting the upper pay interval that has been reported as successfully producing gas and condensate in three wells in the adjacent acreage.

The Joint Venture is working towards this being the first in a continuous sequence of 4 wells and preparations are presently underway for the next well location.

Eureka has a 12.5% working interest in the Sugarloaf AMI. Other ASX listed participants in the Sugarloaf JV, and their respective working interests are:

Aurora Oil & Gas Limited	20%
Adelphi Energy Limited	20%

Further information on Eureka and its projects is available on our website at www.eurekaenergy.com.au.

Yours faithfully
EUREKA ENERGY LIMITED

Graham Dowland
Chairman

Information contained in this report concerning the Sugarloaf project was compiled from information provided by Texas Crude Energy Inc. Information on the project was reviewed by P D Allchurch, BSc, FAIMM, MPESA, who has had 40 years experience in the practice of geology and more than 5 years experience in petroleum geology. Mr Allchurch has consented to the inclusion in this report of the matters based on this information in the form and context in which it appears. Mr Allchurch holds shares in Eureka Energy Limited.