

ASX RELEASE

7 May, 2008

KENNEDY-1H OPERATIONS UPDATE

Eureka Energy Limited (ASX: EKA, "Eureka" or "Company") is pleased to announce that it has been advised by Texas Crude Energy International ("TCEI"), the Operator of the Sugarloaf joint venture within the Sugarkane Gas and Condensate field, that preparations for fracture stimulation operations have commenced on the Kennedy-1H well.

As previously reported the well was completed with a 4 ½" cemented liner to an effective Total Depth ("TD") of 16,530 feet. The liner has been previously cleaned out and by 0600 hrs on 5th May 2008 (US CST) three of the four intervals in the deepest quarter of the hole had been perforated using coiled tubing and a tractor assembly.

The well has now been shut in with down hole gauges for pressure monitoring until final preparations start later this week for the fracture operations. The fracture stimulation is presently scheduled to commence on Friday 9th May, depending on equipment availability.

Recent analysis of the Kennedy-1H well by the Operator suggests that the horizontal portion of the well may have drilled a deeper chalk zone than the zone that is already producing in an adjacent lease block. The deeper chalk zone ("lower zone") in which the well appears to be located has demonstrated gas charge in offset wells and in this well, but has not as yet been produced in a sustained manner. If the well is in the deeper zone, a successful test from the fracture stimulation of this lower zone would be very encouraging in terms of the potential of the lower zone. If the lower zone is not productive it does not, however, affect the potential of the upper zone already producing.

Although Eureka remains cautious on the productivity that will be achieved from this well as it did not appear to exhibit indications of natural fractures when it was drilled and recent technical work has indicated improvements to be applied to future completion design, information learnt from the operation will continue to contribute to the appraisal of this field and can be incorporated into future wells.

Further drilling to evaluate the Sugarloaf acreage under lease (approx. 22,000 gross acres) within the Sugarkane Gas and Condensate field is expected to commence in the third quarter of 2008.

Eureka has a 12.5% working interest in the Sugarloaf Joint Venture.

Yours faithfully
EUREKA ENERGY LIMITED

Alex Neuling
DIRECTOR / SECRETARY

Information contained in this report with respect to the Sugarloaf Project and Sugarkane Field was compiled from material provided by Texas Crude Energy Inc and reviewed by P D Allchurch, BSc, FAIMM, MPESA, who has had more than 35 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.