

ASX RELEASE

19 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 the reservoir stimulation program on the Kennedy-1H well commenced on 14 May, 2008 with the hydraulic fracture stimulation ("frac") of an approximately 600 feet long zone at the end of the horizontal section of the well.

The frac operation went according to plan and as at 6am Texas time on 18 May a total of 940 bbls of frac fluid had been recovered from the well with approximately 4,480 bbls still to be recovered. In addition to the frac fluid about 30 bbls of condensate and minor gas has also been recovered. The significance of the condensate and gas recoveries and the implication for potential flow rates will not be known until all frac fluids have been unloaded.

A completion rig arrived on site over the weekend to run production tubing which will facilitate the unloading process. This is likely to take several days.

Further releases will be made as appropriate.

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

Yours faithfully
EUREKA ENERGY LIMITED

Graham Dowland
Chairman

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.