

ASX RELEASE

26 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 Inc. ("TCEI"), the Operator of the Sugarloaf joint venture within the Sugarkane Gas and Condensate field, that production tubing has been successfully installed in Kennedy - 1H and the well has been flowed and placed back on well test.

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 via four sets perforations.

As at 6am Texas time on 25 May a total of 1,274 bbls of frac fluids and 257 bbls of condensate had been produced from the well which is continuing to produce small quantities of gas and condensate. With the production tubing now in place there are several options available to accelerate the recovery of frac fluids and the potential for additional fracture stimulation along the horizontal section of the well will also be considered.

The condensate and gas recoveries from this zone are encouraging being the first conclusive test of this lower zone within the Sugarkane Austin Chalk.

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.