

ASX RELEASE

21 July 2008

SUGARLOAF OPERATIONS UPDATE

Eureka Energy Limited ("Eureka") is pleased to provide an update on operations within the Sugarloaf Area of Mutual Interest ("AMI").

Kowalik #1H

Eureka has been advised by the Operator of the Sugarloaf AMI, Texas Crude Energy Inc ("TCEI"), that Kowalik #1H spudded on 00:00 hrs 18 July 2008 and as at 0600hrs 20 July 2008 (US CST) preparations were being made to commence drilling the 12 1/4" hole section having set and cemented 13 3/8" casing at a depth of 825 ft. The well is located approximately 5km north of the Kennedy -1H well and on trend from producing wells in adjacent acreage.

As previously advised, the well is engineered to take advantage of the knowledge gained from work carried out within the Sugarkane Gas and Condensate field and an analogous offset field in the region. It will target the upper pay interval that has been reported to have successfully produced gas and condensate in three wells in adjacent acreage.

The well is planned to be drilled vertically to approximately 12,000 feet, as a pilot hole, when it will be logged, plugged back and kicked off to drill a 6,000ft horizontal section in the upper pay interval of the Austin Chalk.

It is expected it will take approximately 30 days to drill the pilot hole and a further 30 days to conclude the drilling of the horizontal section.

The Joint Venture is working towards this well being the first in a continuous sequence of 4 wells.

Kennedy #1H

The second stage of fracture stimulation (frac) took place on Thursday 3rd July. As previously advised, in preparation for the stimulation, an additional three sets of perforations, each 3 ft long, were placed in between those used for the first stimulation in the bottom 600 ft of the well. The fracture operation successfully placed approximately 100,000 lbs of high strength proppant into the fractures before high pumping pressures prevented the full program being completed which represented 90% of the planned fluids and 50% of the planned proppant.

Flow back initially recovered about 1,200 barrels of the 6,540 barrels of fluids pumped during fracture operations along with trace amounts of gas and condensate recovered towards the end of this period.



Clean out operations were implemented to wash out fracture proppant that was left in the well bore as a result of the early termination of the frac and well production testing of the well resumed on 15 July 2008.

The well flowed initially at an unstabilized rate of approximately 425,000 cubic feet per day, 106 bbls condensate per day and 48 barrels of water per day. After a few hours at these rates the well commenced slugging and produced intermittently with rates varying between 46 – 107 bbls of condensate per day and gas rates of 200,000 to 300,000 cubic feet per day with periodic influxes of water.

To ensure that the remaining frac water (at least 5,000 barrels has not yet been recovered from the most recent fracture stimulation) was not preventing the well from unloading efficiently, coiled tubing was mobilised to the rigsite on Friday 18th July. Two attempts have been made to use nitrogen to jet the water and condensate from the well bore. Although additional fluid was recovered, the operation did not improve the flow rates. The well has recovered 44bbls of fluid with associated gas in the last 24 hours, with the most recent fluid sample showing 80 % condensate. The well will continue to be monitored.

Eureka has a 12.5% working interest in the Sugarloaf Joint Venture which has approximately 22,199 acres under lease.

Further information on Eureka and its projects are 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.

Other ASX listed entities within the Sugarloaf Joint Venture are:

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