

ASX RELEASE

31 July 2008

QUARTERLY REPORT

Eureka Energy Limited (ASX:EKA, "Eureka" or "Company")

QUARTER ENDING

30 June 2008

EXPLORATION, APPRAISAL AND DEVELOPMENT ACTIVITIES

SUGARLOAF PROSPECT:

On-shore Texas Gulf Coast Basin, USA

Eureka ownership:

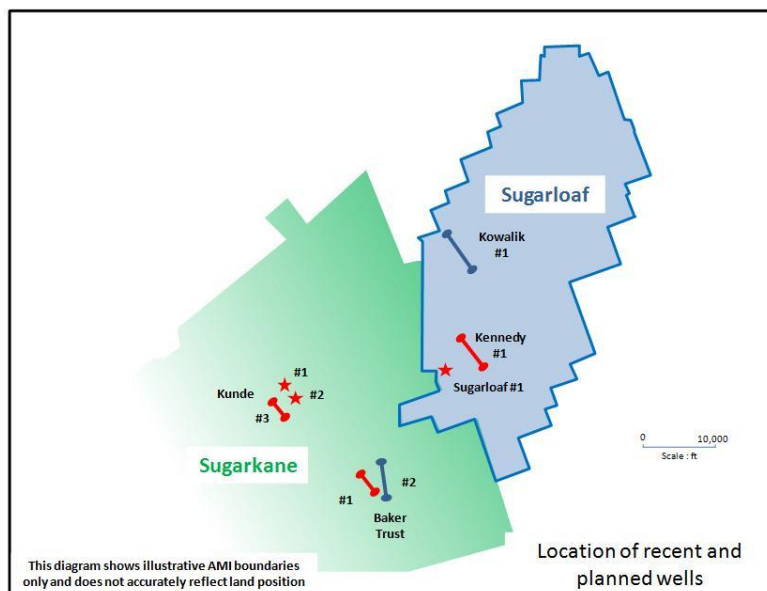
12.5% Working Interest

Overview

Operations during the June 2008 quarter at the Sugarloaf prospect, within the Sugarkane Gas and Condensate Field ("Sugarkane Field") field, focussed on:

- perforation and fracture stimulation of the Kennedy-1H well;
- planning and design for the drilling of a second horizontal well, Kowalik-1H. This well spudded on 18 July;
- planning a continuous four well program with Kowalik-1H as the initial well; and
- continued analysis of possible exploitation techniques and performance indicators to be employed at Sugarloaf.

The Sugarkane Field is a unique new Austin Chalk discovery in Texas, U.S.A. The partners in the Sugarloaf AMI have successfully leased approximately 23,161 acres (an increase of 962 acres over the quarter) with Eureka owning a 12.5% working interest. The Operator, Texas Crude Energy Inc ("TCEI"), believes that the Sugarkane field extends to approximately 200,000 acres, although recent leasing activity by competitor companies indicates that it may extend still further.





During the quarter an AIM listed participant in the adjacent acreage within the Sugarkane Field made a series of announcements about the production performance of two horizontal wells and a vertical well. The first horizontal well, known as TCEI JV Block A-1, was fracture stimulated over a 900 foot horizontal section in 5 sets of perforations and recorded a flow rate of 12 mmmcfged (million cubic feet gas equivalent per day). The second horizontal well, known as TCEI JV Block A-3, was reported to be flowing at 7.8 mmmcfged from an open hole test without stimulation. A third horizontal well, TCEI JV Block A-4, spudded on 4 July 2008 and is designed to drill the upper pay zone that has proven productive in the previous two horizontal wells. This well is adjacent to TCEI JV Block A-3 and closer to the border of our Sugarloaf AMI. The original Sugarkane Field vertical discovery well on this acreage has been producing since September 2006 and continues to flow at 0.25 mmscfd and 60 bcpd. These rates are very encouraging for a vertical well. Eureka does not have an interest in these wells or the associated land within the Sugarkane Field. The production on this adjacent acreage is condensate rich and has been achieved from the upper section of the chalk interval which will be the target of the Kowalik-1H well.

Eureka is entering an exciting period for the Sugarkane Field appraisal and development with 4 wells provisionally planned to be drilled within the Sugarloaf AMI and an active program in the adjacent acreage.

Kennedy-1H Well

During the reporting period operations commenced to stimulate Kennedy-1H. Detailed post drill analysis had revealed that the well trajectory was likely to be deeper than planned and was predominately accessing the deeper horizon of the chalk reservoir. Earlier well testing had recovered minor gas and condensate from this horizon in the Sugarloaf #1 vertical well. Whilst gas had been observed when drilling Kennedy-1H, this would be the first horizontal production test of this horizon as the reported production from the adjacent acreage was all from the upper chalk horizons. Furthermore, the drilling operations at Kennedy-1H had not encountered any indications of natural fractures, unlike the two horizontal wells that had been drilled in this field on adjacent acreage.

In preparation for the test, four intervals of 2ft each were perforated along the bottom 600ft of the horizontal 4 1/2" liner. On 14 May 2008 a small hybrid fracture stimulation was carried out. By the 25 May only a low percentage of fracture fluid had been recovered and rates of this fluid type had reduced to zero, however the well was continuing to flow a relatively steady 40 bcpd with some minor associated gas. As this was the first sustained hydrocarbon flow from this horizon, it continues to support the potential upside to the already considerable resource estimates associated with the upper Chalk horizons.

The successful implementation of the first fracture, but the limited recovery of fracture fluid, encouraged the joint venture to re-fracture the zone with a more aggressive fracture design. This operation took place after the reporting period but the market has been informed that a larger frac with larger high strength proppant was partially placed in the reservoir. The cleanup operations have commenced with 1,200 bbls of the 6,560 bbls pumped having been recovered by 9 July 2008. Following a clean out of residual fracture proppant, the well was completed with 2 7/8" tubing and then a 1 1/4" coiled tubing string was used to lift fluids from the well. The well continues to flow 30 – 40 bcpd and will be placed on long term production and its performance will now being monitored.

Eureka remains encouraged by the presence and recoverability of hydrocarbons in the deeper horizon of the chalk zone.

Kowalik-1H Well

The Kowalik-1H well spudded on 18 July and is the second horizontal well to be drilled by the Sugarloaf AMI participants. The well is situated approximately 5 km's north of the Kennedy-1H well and on trend from producing wells on the adjacent acreage. The well design builds upon the knowledge gained from drilling on the adjacent acreage and an analogue field in East Texas. 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 6,000 foot horizontal section in the upper interval of the Austin Chalk. The well location has been selected based upon a provisional theory looking to identify potential areas of natural fractures which will be refined as additional wells are drilled.

Kowalik-1H is expected to take approximately 60 days to drill. The well has commenced drilling the 8 3/4" pilot hole which will be drilled vertically into the chalk. This well is anticipated to be the first of four back-to-back wells to be drilled on the Sugarloaf AMI which will contribute to the statistical data set on well performance and design across the entire field.

BISMIL PROSPECT: On-shore South Eastern Turkey
Eureka ownership: 10% interest with an option to acquire a further 10% interest.

Overview

Operations during the past quarter at the Bismil Prospect included the:

- processing of an additional 56 kilometres of 2D seismic with the objective of investigating the possible structural trends east of the Koyunlu-2 well within the Garzan, Mardin and Bedinan Formations; and
- election by Eureka to reduce its interest in this prospect to 10%.

Seismic Acquisition and Processing

56 kilometres of additional 2D seismic has been acquired with the objective of investigating the possible structural trend east of the Koyunlu-2 well location within the Garzan, Mardin and Bedinan Formations. Processing and interpretation of the new 2D seismic is currently being undertaken to define the structure in more detail and provide assistance in determining future activities with this prospect including the possible identification of a potential location for a follow up well to Koyunlu-2.

Election to Reduce Working Interest

Under the original terms of the Farm-in Agreement Eureka held a 20% interest in two adjoining exploration licences (the "Bismil Prospect") covering about 590 square kilometres in South East Turkey. This interest was earned by the drilling of two exploration wells within the Licence Areas.

Prior to the completion of drilling of the second farm-in well, Koyunlu-2, Eureka and ARAR Oil & Gas Inc ("ARAR" – the Operator of the licences) renegotiated the terms of the Farm-in Agreement such that Eureka reduced its financial commitment to the Koyunlu-2 well to US\$250,000. At completion of the Koyunlu-2 well Eureka could make an election to pay the balance of its farm-in obligations or relinquish 10% of its participating interest in the Bismil prospect. During the past quarter Eureka has elected to reduce its interest in the Bismil Prospect to 10%.

Eureka also hold an Option to acquire a further 10% interest in the Licence Areas exercisable at a cost of US\$1.25M. The Option is valid for a period of 3 weeks after the completion of a third well to be drilled in the Licence Areas. Eureka may further extend the Option to a fourth well if the third well is not drilled to test the Bedinan Formation. The Bedinan Formation is the deepest of the potential zones being targeted within the Licence Areas.

Your Board considers that the renegotiation of the terms of the Farm-in in conjunction with the Option enable Eureka to maintain leverage to drilling success in Turkey whilst preserving capital to be directed toward our primary asset being the Sugarloaf prospect in the US.

KIANA PROJECT: EL 23639 Northern Territory
Eureka ownership: 100% interest

Eureka, through a wholly owned subsidiary, is the holder of Exploration Licence (“EL”) 23639. Consistent with the terms of this EL 50% of the licence has been relinquished leaving a remaining licence area of some 264 km² located approximately 950 kilometres south-east of Darwin in the Northern Territory of Australia. Geologically the licence covers the southern section of the Batten Trough in the McArthur River Basin on the North Australian Craton. This region contains copper-lead-zinc-silver-barium occurrences and is close to the McArthur River lead-zinc-silver deposit and diamondiferous Merlin kimberlite cluster.

Previous exploration for base metals had outlined several copper and zinc soil geochemical anomalies associated with the Wollorgorang and Settlement Creek Volcanics. Follow up sampling of the better copper and zinc soil geochemical anomalies in five target areas was not encouraging.

CORPORATE

During the quarter Eureka placed 10,500,000 new fully paid ordinary shares at 17 cents each in the company to raise \$1.785M before the costs of the issue. The placement was within the 15% limit available to the Company under Listing Rule 7.1. Funds raised from the issue are being applied to progressing the appraisal and development of the Sugarloaf gas and condensate project in Texas, U.S.A. This issue of new shares was ratified at a General Meeting of shareholders on 27 June 2008. As at 30 June 2008 Eureka had cash on hand of \$3.186M.

During the quarter Eureka appointed Ms Julie Foster as Company Secretary replacing Mr Alex Neuling. Ms Foster is a Chartered Accountant (U.K.) and has more than 15 years experience in public practice in Australia and the U.K. Mr Neuling is continuing in his role as a director of Eureka.

The Company’s Appendix 5B for the 3 months to 30 June 2008 is attached to this update.

END

Information contained in this report with respect to the Sugarloaf Project and Sugarkane Field was compiled from material provided by Texas Crude Energy Inc. Information contained in this report with respect to the Bismil Project was compiled from material provided by ARAR Petrol Gaz Aupas. This information was reviewed by P D Allchurch, BSc, FAIMM, MPESA, who has had 40 years experience in the practice of geology including more than 5 years experience in petroleum geology. Mr Allchurch consents to the inclusion in this report of the information in the form and context in which it appears.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

EUREKA ENERGY LIMITED

ABN

46 116 829 139

Quarter ended ("current quarter")

30 June 2008

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors		
1.2 Payments for		
(a) exploration and evaluation	(1,163)	(3,189)
(b) development		
(c) production		
(d) administration	(51)	(555)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	59	141
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other		
Net Operating Cash Flows	(1,155)	(3,603)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets		
1.9 Proceeds from sale of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(1,155)	(3,603)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,155)	(3,603)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	1,792	4,792
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other		
	Issue Costs	(99)	(269)
	Net financing cash flows	1,693	4,523
	Net increase (decrease) in cash held	538	920
1.20	Cash at beginning of quarter/year to date	2,648	2,266
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	3,186	3,186

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	33
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

Directors fees

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	
4.2 Development	1,600
Total	1,600

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	3,186	2,648
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	3,186	2,648

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	EL23639NT	Licence Holder	100% (528km ²)	100% (264km ²)
	Bismil (Turkey)	Working Interest (WI) and Option Holder	20% WI 10% Option	10% WI 10% Option
6.2 Interests in mining tenements acquired or increased	-	-	-	-

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

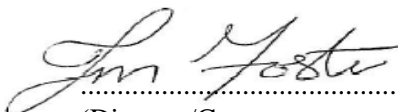
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities (<i>description</i>)	-	-	-	-
7.2 Changes during quarter				
(a) Increases through issues	-	-	-	-
(b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 +Ordinary securities	82,410,000	82,410,000	Various	Fully Paid
7.4 Changes during quarter				
(a) Increases through issues	10,500,000	10,500,000	\$0.17	Fully Paid
(b) Decreases through returns of capital, buy-backs	-	-	-	-
7.5 +Convertible debt securities (<i>description</i>)				
7.6 Changes during quarter				
(a) Increases through issues				
(b) Decreases through securities matured, converted				
7.7 Options (i)			<i>Exercise price</i>	<i>Expiry date</i>
Listed Options				
Unlisted Options	1,000,000		\$0.35	30/06/2010
7.8 Issued during quarter				
Unlisted Options				
Incentive Options				
Consultant Options				
(i) Upon exercise each option entitles the holder to one ordinary share which will rank pari passu in all respects with the Company's then issued shares.				
7.9 Exercised during quarter				
Listed Options				
7.10 Expired during quarter				
7.11 Debentures (<i>totals only</i>)	-	-	-	-
7.12 Unsecured notes (<i>totals only</i>)	-	-	-	-

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act [or other standards acceptable to ASX](#) (see note 4).

- 2 This statement does ~~not~~* (*delete one*) give a true and fair view of the matters disclosed.

Sign here:  Date: 31 July 2008
(Director/Company secretary)

Print name: JULIE FOSTER

+ See chapter 19 for defined terms.