

ASX RELEASE

1 October 2008

UPDATE ON OPERATIONS AT KOWALIK-1H

Eureka Energy Limited ("Eureka") is pleased to provide an update on operations at the Kowalik-1H well within the Sugarloaf AML, which is part of the Sugarkane Gas and Condensate Field.

Kowalik-1H

Eureka has been advised by the operator, Texas Crude Energy Inc ("TCEI"), that at 06:00hrs on the 30/09/08 (US CST) the well had been drilled to a measured depth of 15,239 ft, which equates to approximately 3,500 ft of horizontal section within the Austin Chalk. The current operation is pulling out of hole to assess the drilling assembly.

Since the last report the well has produced gas intermittently when drilling, with larger flares observed following periods of shut in when tripping to change components of the drilling assembly. The surface gas readings have averaged 2,000 units during this section. More significant gas flares including a 50 foot flare were observed while drilling the horizontal section prior to pulling out of hole.

Whilst further gas shows and flares are encouraging, their commercial significance will not be known until the well has been flow tested.

The horizontal section is targeting the upper pay interval that has been reported as successfully producing gas and condensate in three wells in the adjacent acreage.

The Joint Venture is working towards this being the first in a continuous sequence of 4 wells and preparations are presently underway for the next well location.

Eureka has a 12.5% working interest in the Sugarloaf AML. Other ASX listed participants in the Sugarloaf JV, and their respective working interests are:

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

Further information on Eureka and its projects is 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.