

ASX RELEASE

16 December 2008

Share Placement and Share Purchase Plan

Share Placement

Eureka Energy Limited has agreed the placement of up to 25 million fully paid ordinary shares at an issue price of \$0.04 per share to professional and sophisticated investors, including clients of Bell Potter Securities Limited, to raise up to \$1,000,000 before issue costs. The new shares will rank equally with existing fully paid ordinary shares.

The capital raising will be completed in two tranches, as follows:

- A placement of a first tranche of 12 million shares at \$0.04 per share to raise approximately \$0.48 million before issue costs. Shareholder approval will not be required for the first tranche of the Share Placement, which is within the 15% limit available to the Company under Listing Rule 7.1
- A second tranche of up to 13 million shares will be issued, subject to shareholder approval, at \$0.04 per share to raise approximately \$0.52 million before issue costs. A notice convening a general meeting of shareholders to consider this issue of shares will be sent to shareholders in the next few days.

Share Purchase Plan

In conjunction with the Share Placement, Eureka will be offering eligible shareholders the opportunity to acquire additional shares in the Company under a share purchase plan (SPP). Shares under the SPP will be offered at \$0.04 per share, being the same issue price offered to professional and sophisticated investors pursuant to the Share Placement.

The SPP will provide registered shareholders at 5.00pm (WDST) on 12 December 2008 (Record Date) with a registered address in Australia or New Zealand, the opportunity to subscribe for up to \$5,000 worth of ordinary shares in the Company without incurring any brokerage or other transaction costs. The closing date for receipt of applications for new shares pursuant to the SPP will be in late January 2009. Specific details & terms will be contained in the SPP Offer documentation that is currently being prepared for mailing to eligible shareholders.

Shareholder approval will not be sought for the issue of shares under the SPP as the maximum number of ordinary shares that is proposed to be issued pursuant to the SPP is 12.5 million which is within the 30% limit available to the Company under Listing Rule 7.2. The actual number of shares issued is dependent on the applications received from eligible shareholders however the directors of Eureka reserve the right to scale back applications received under the SPP. Shares issued under the SPP will rank equally with existing fully paid ordinary shares.

Further details of the SPP will be provided to eligible shareholders in due course.

The proceeds from the capital raisings will primarily be used to meet operating costs at the Sugarloaf project in Texas. Having pre-paid drilling costs for the Kowalik – 1H well and the current Weston – 1H well, Eureka seeks additional working capital to contribute to the planned and possible completion operations for each of these wells.

Kowalik - 1H has recently undergone clean-up operations and is now tied into the sales pipeline system. Over the next few weeks this well will undergo planned completion operations to maximize the flow of hydrocarbons.

Weston - 1H has been drilled to a measured depth of 13,013 feet and is being cased to this depth prior to continuing drilling the horizontal section in the Austin Chalk horizon for up to a further 6000 feet. Completion operations on this well will be undertaken at the conclusion of drilling the lateral length.

Following completion of operations at the Kowalik – 1H and Weston – 1H wells at Sugarloaf, Eureka with the Operator intend to review and consider the results together with results from other wells being drilled on adjacent acreage within the Sugakane Gas & Condensate Field ahead of undertaking further operations.

Yours faithfully
EUREKA ENERGY LIMITED

Graham Dowland
Chairman