

ASX RELEASE **30 January 2009**

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

QUARTER ENDING **31 December 2008**

EXPLORATION, APPRAISAL AND DEVELOPMENT ACTIVITIES

SUGARLOAF PROSPECT: On-shore Texas Gulf Coast Basin, USA
Eureka ownership: 12.5% Working Interest

Overview

The appraisal drilling program at Sugarloaf continued during the quarter with the Kowalik-1H well reaching target depth that included a 4600 foot horizontal section within the Austin Chalk. Following the initial completion operations, production of 937,000 cubic feet of gas and 321 barrels of condensate per day was achieved. Additional cleanup and completion operations are being planned for the current quarter to increase productivity.

Following completion of the Kowalik-1H well the drilling rig was moved to a location some 1.5 km's to the east of the previously drilled Kennedy-1H well and spudded the Weston-1H well on 2 November 2008. At report date, the Weston-1H well was at a measured depth of 15,685 feet with approximately 3,000 feet drilled horizontally. This interval is the same chalk horizon drilled in the Kowalik-1H well and has generated minor gas flares from the last 1,200 ft of the horizontal section.

During the quarter Eureka received its first revenue from production from the Kennedy-1H well. This well has been tied into production facilities and the sales represent the first receipts from production from the deeper chalk sections.

In adjacent acreage within the Sugarkane Gas & Condensate Field, appraisal and development drilling activity has continued. Eureka does not have an interest in that acreage but based on the information disclosed by Emyrean Energy PLC ("EME") to the AIM market during the reporting period and publically available data lodged with the Texas Railroad Commission, a total of 6 wells have now been drilled in the acreage adjacent to Sugarloaf - three horizontal and three vertical wells. There are presently two more horizontal wells being drilled in the adjacent acreage and another 3 wells permitted for future drilling.

The only production data publicly available is from the discovery well, Kunde #1, which has been on production since September 2006 and continues to produce to expectations.

Weston-1H Well

Weston-1H was spudded on 2 November 2008 some 1.5 km's east of the Kennedy-1H well and is targeting the upper chalk interval that has produced gas and condensate in three wells in the adjacent acreage and at the Kowalik-1H well. As at 27 January 2009 the well had reached a measured depth of 15,685 feet. Gas readings in the horizontal drill section have averaged 2,000 to 3,000 units and minor flares have been observed. During the drilling of the vertical section at approximately 11,659 feet intermediate logging and sidewall cores were taken. The final casing

string was cemented in place at a depth of 12,250 feet prior to commencing the horizontal build section. Eureka has a 12.5% working interest in the Weston-1H well.

Kowalik-1H Well

Kowalik-1H was spudded on 18 July 2008 and reached a total depth of 16,483 feet on 19 October 2008. Initially a pilot hole was drilled vertically through the chalk reservoir where a number of logs were taken that confirmed the presence of pay and provided a clear correlation to the reservoir seen in the Sugarloaf well, some 5 km to the South.

The well was then sidetracked into the upper chalk pay horizon and approximately 4,600 ft of horizontal section was drilled. The reservoir section was drilled slightly underbalanced and for over 2,500 ft the well encountered high background gas readings and at frequent intervals generated flares at surface.

Following completion and a chemical wash the Kowalik-1H well flowed at an unstimulated initial rate of 937,000 cubic feet of gas, 321 barrels of condensate, and 14 barrels of water per day whilst cleaning up. The well was placed on production following a second chemical wash and was subsequently shut in for several weeks to obtain downhole pressure data. Following a period of production a cleanout operation was undertaken, which was designed to remove a number of blockages in the bottom section of the well, using a coiled tubing unit. Initial production post this operation was 577,000 cubic feet of gas, 131 barrels of condensate, and 10 barrels of water per day. Further work is likely on this well possibly comprising of an acid stimulation of the bottom section of the well in an endeavour to enhance the permeability of the natural fractures encountered whilst drilling.

Eureka acquired a slightly increased stake in this well and the surrounding 1,920 acres when a minor partner elected not to participate for financial reasons. This has increased Eureka's interest in this well to 14.33% and has added 35 acres to our net interest in the Sugarloaf AMI area.

Kennedy-1H Well

The Kennedy-1H well has been tied into production facilities and was last reported as flowing 90,000 cubic feet of gas and 21 barrels of condensate per day. The well is presently flowing directly to export.

The Joint Venture recognizes the potential of the well and the production to date confirms that the deeper chalk section that this well is believed to have penetrated is a viable reservoir. There were two attempts to stimulate the bottom 600ft of the horizontal section but neither was fully effective. There remains over 3,000 ft of horizontal section to stimulate and further operations are likely in the future.

Eureka has a 12.5% working interest in the Kennedy-1H well with first revenues being received from sales during the December 2008 quarter.

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

The operator has recently acquire an additional 73km's of 2D seismic data in the western portion of the Bismil license area in Turkey. This data is now being processed and interpreted. When completed this data is anticipated to assist with understanding the prospectivity of this area of the Bismil licence.

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

There was no activity on this project during the quarter.

CORPORATE

On 16 December 2008 Eureka announced that it 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 to raise up to \$1M before issue costs. The proceeds of the capital raising are primarily to be used to meet the ongoing costs of the Sugarloaf project and in particular the drilling of the Weston-1H well and the completion work on the Kowalik-1H well.

The capital raising has been completed in two tranches. The first tranche comprising of 12 million shares to raise \$0.48M before the costs of the issue was finalised on 19 December 2008. The second tranche placement of 13 million shares to raise \$0.52M before costs of the issue was subject to shareholder approval that was received at a General Meeting of shareholders on 22 January 2009. Proceeds from the second tranche placement were received on 29 January 2009.

In conjunction with the Share Placement, Eureka announced a Share Purchase Plan ("SPP") to existing shareholders to subscribe for up to \$5,000 worth of ordinary shares in the company. The SPP shares are being offered to Eureka shareholders on the same terms as the placement shares. The closing date for receipt of applications under the SPP is 30 January 2009. Up to \$500,000 can be raised pursuant to the SPP.

As at 31 December 2008 Eureka had cash on hand of \$0.844M. This is prior to receipt of the second tranche placement funds or monies raised under the SPP.

Upon completion of activities on the Weston-1H and Kowalik-1H wells it is likely that the previously announced four well programme will be deferred. The Sugarloaf participants will take a period of time to review the results being achieved from the wells drilled to date and consolidate this with information gained from activities undertaken on the Sugarkane Gas & Condensate Field. Given the prevailing financial market conditions the company will be endeavouring to preserve its capital and will continue to investigate ways of progressing the development of the Sugarloaf project in a cost and cash efficient manner.

The Company's Appendix 5B for the 3 months to 31 December 2008 is attached to this update.

END

Information contained in this report with respect to the Sugarloaf Project and Sugarkane Field was compiled from information provided by the project operator and other publicly available sources. 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")

31 December 2008

Consolidated statement of cash flows

	Current quarter	Year to date (6 months)
	\$A'000	\$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	32	32
1.2 Payments for		
(a) exploration and evaluation	(1,245)	(2,521)
(b) development	-	-
(c) production	-	-
(d) administration	(146)	(352)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	11	50
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net Operating Cash Flows	(1,348)	(2,791)
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)	(1,348)	(2,791)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,348)	(2,791)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	480	480
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	(30)	(30)
	Net financing cash flows	450	450
Net increase (decrease) in cash held			
		(898)	(2,341)
1.20	Cash at beginning of quarter/year to date	1,742	3,185
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	844	844

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	3
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	974
4.2 Development	-
Total	974

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	844	1,742
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	844	1,742

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	-	-	-
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.

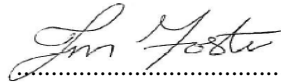
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>	-	-	-	-
7.2 Changes during quarter				
(a) Increases through issues	-	-	-	-
(b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 +Ordinary securities	94,410,000	94,410,000	Various	Fully Paid
7.4 Changes during quarter				
(a) Increases through issues	12,000,000	12,000,000	\$0.04	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	1,000,000		\$0.35	30/06/2010
Unlisted Options				
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: 30 January 2009

(~~Director~~/Company secretary)

Print name:

JULIE FOSTER

+ See chapter 19 for defined terms.