

ASX RELEASE**21 SEPTEMBER 2009****FARMOUT OF SUGARKANE ACREAGE TO MAJOR US OIL & GAS COMPANY**

Eureka Energy ("Eureka") is pleased to advise that Texas Crude Energy Inc ("TCEI") has been successful in its efforts to farm out the consolidated acreage across the Sugarkane Gas and Condensate field. TCEI signed a farm out with Hilcorp Energy Company ("Hilcorp"), one the largest private E&P companies in the US, and field activities are expected to commence promptly. A brief description of Hilcorp is included at the end of this announcement.

The key elements of this farmout for Eureka are as follows:-

- The farmin by an established company such as Hilcorp to the Sugarkane field is a significant endorsement of the multi TCFe potential of this gas and condensate asset and the value of Eureka's interest in the Sugarloaf land holdings within it.
- Eureka will be free carried for the drilling, completion and tie in of up to 3 new horizontal wells and the stimulation of the three existing Sugarloaf horizontal wells; Kennedy #1H, Kowalik #1H and Weston #1H. The Sugarloaf farmin program aims to establish a total of 6 wells on production. Under the terms of our farmout to TCEI this work program has a series of deadlines over the next 20 months.
- The Farminee will earn an interest in Eureka's acreage incrementally as each farmin activity is completed, up to a maximum of 50% of Eureka's interest in the Sugarloaf Area of Mutual Interest ("AMI").
- Eureka believes that this additional activity within the Sugarkane Field, together with the widespread ongoing regional activity occurring within the Eagle Ford Shale play will continue the process of demonstrating and establishing the considerable value of our interest in the Sugarloaf AMI within the Sugarkane Field.
- Hilcorp has committed to a farmin over the Sugarloaf AMI and other land areas either adjacent to or nearby, with corresponding drilling requirements. This will lead to a meaningful drilling and completion program that aims to establish a portfolio of producing wells within the Sugarkane acreage that in turn will assist in demonstrating the multi Tcfe potential of the Sugarloaf AMI.
- The farmin has been achieved despite the difficult market conditions existing in the US.
- Success with the strategy in consolidating acreage in order to collectively attract a marquee US E&P company into the area.
- Eureka's financial commitments through this development phase are now minimal.

Yours sincerely

EUREKA ENERGY LIMITED

**Graham Dowland
Chairman**

This report contains some references to forward looking assumptions, estimates and outcomes. These are uncertain by nature and no assurance can be given by Eureka that its expectations, estimates and forecast outcomes will be achieved.

Hilcorp Energy Company

Hilcorp was founded 20 years ago and is now one of the top 5 largest private E&P companies in the USA. The company has a number of domestic assets both on and offshore and has a demonstrable record of commercialising their investments. The company has an annual production in excess of 15 mmboe of oil and a staff of over 600 professionals, and is an experienced operator in the US.

About the Sugarkane Gas and Condensate Field

Eureka has a strategic interest (12.5% working interest) in the Sugarloaf Joint Venture. The Sugarloaf land holdings lie within the Sugarkane Gas and Condensate Field, Texas, providing the Company with the opportunity to benefit from a potential multi trillion cubic feet equivalent (Tcfe) gas and condensate resource.

The Sugarkane Field, discovered in 2006, is a unique Austin Chalk and Eagle Ford Shale reservoir that lies some 20km south of the main Texas Austin Chalk trend and directly on trend with the emerging Eagle Ford Shale play. The Sugarkane Field is over pressured, has a higher porosity and a high condensate to gas ratio contributing to its commercial value.

The Sugarkane Field covers an identified area exceeding 200,000 acres with potential gross reserves estimated at greater than 3 Tcf of gas and approximately 700 million barrels of condensate, making it potentially one of the largest undeveloped gas and condensate fields within North America.

The Sugarloaf AMI comprises contiguous leases covering approximately 23,000 acres (2,973 acres net to Eureka prior to farmout). The AMI is situated within the Sugarkane Field and provides the Company with an exceptional opportunity to participate in the development of a potential Tcfe gas and, importantly, condensate rich resource.

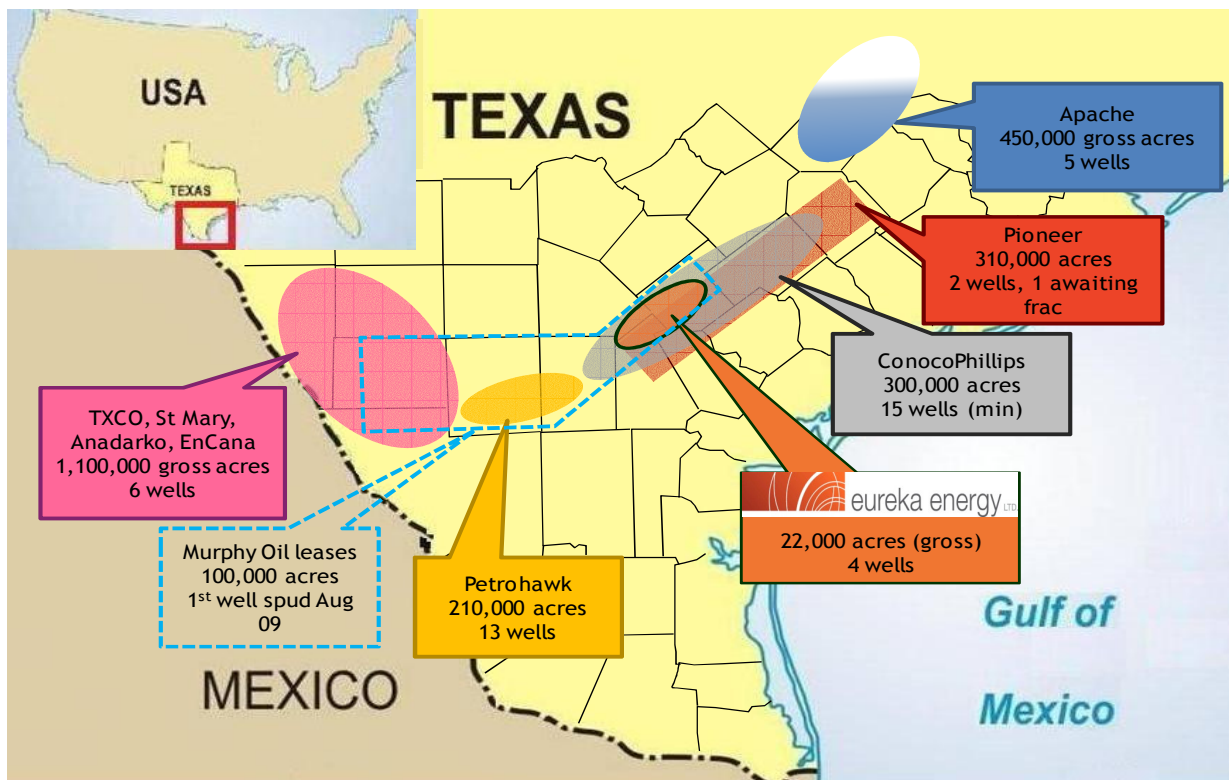
Fifteen exploration and appraisal wells have been drilled into the reservoir since discovery. Four of these wells are within Eureka's Sugarloaf AMI and eleven wells have been drilled by Conoco Phillips in an AMI adjacent to the Sugarloaf AMI.

Regional Activity

The map below illustrates the disclosed positions of a number of major US oil and gas companies who have made announcements regarding their participation in the Eagle Ford shale. ConocoPhillips (NYSE:COP) has stated that their position totals approximately 300,000 acres and includes significant holdings adjacent to our interests to both the south east and north. They have also made reference to, in effect, being bookended in turn by Petrohawk Energy Corporation (NYSE:HK) with 210,000 acres to the southeast and Apache Corporation (NYSE:APA) to the north. Pioneer Natural Resources (NYSE:PXD) has much of the acreage to the south and east while Anadarko Petroleum Corporation (NYSE:APA) is developing some

345,000 acres to the west and St. Mary Land & Exploration Company (NYSE:SM) has acquired up to 225,000 net acres.

To date we estimate that there have been some 50 wells drilled within the regional Eagle Ford play and an analysis of recent announcements indicate that this figure will exceed 100 by the end of the calendar year. Petrohawk suggests "the Eagle Ford shale in this particular area is



one of the highest quality shale reservoirs discovered to date in the United States." The results that we have reviewed to date and the information provided regarding initial flow rates, production decline curve, condensate levels, porosity, organic content, estimated in place resource per unit etc are not only excellent reference points for Sugarkane, but also give us confidence in terms of the relative quality of our acreage.

(Data referencing activities in adjacent acreage has been sourced from publically available information)

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 29 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.