

ASX RELEASE **30 October 2009**

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

QUARTER ENDING **30 September 2009**

EXPLORATION, APPRAISAL AND DEVELOPMENT ACTIVITIES

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

Quarter Highlights

- Eureka announced the successful farmout of an interest in the Sugarkane field to Hilcorp Energy ("Hilcorp"), the 4th largest private E&P company by production in the USA, in return for an agreed field work program.
- planning and well-site activity on the first phase of the Hilcorp farmin work program at Sugarloaf has commenced with operations underway at all three existing horizontal wells in preparation for stimulations that are scheduled to start in mid November.
- One of Eureka's co joint-venture partners at the Sugarloaf AMI, Aurora Oil & Gas Limited ("Aurora"), announced an independent contingent resource statement for its Sugarkane interests. Extrapolating these results on a net acreage basis, the mid level case contingent resource for Eureka's pre farmout interest at Sugarloaf is estimated at 58 Bcf gas and 10 mmbbls condensate.
- regional Eagle Ford shale activity continues with published results supporting the increasing profile of the play.

Overview

Eureka holds a pre farmout working interest of 12.5% at the Sugarloaf Area of Mutual Interest ("AMI"). The gross acreage under lease within the Sugarloaf AMI is approximately 23,500 acres, (the net acres to Eureka of just over 2,970 net acres, pre farmout). The Sugarloaf AMI is situated centrally within the greater Sugarkane Field.

The Sugarkane reservoir is a regional pool, estimated at some 200,000 acres, of naturally fractured Austin Chalk graduating down into a regional Eagle Ford shale trend. These two horizons form a continuous reservoir at Sugarkane which is overpressured and contains condensate rich gas.

There have now been 15 recent wells drilled into the Sugarkane Field and 8 historical wells with modern logs that helps delineate the area. All 23 penetrations have encountered a correlatable section and where tested have produced a consistent hydrocarbon to surface.

At the Sugarloaf AMI, production continued during the recent quarter from the Kennedy-1H and Kowalik-1H wells. There has been no further significant field activity at the Sugarloaf AMI since February 2009, when the Weston-1H well operations were concluded. During the quarter efforts were focused on the commercial negotiations leading to the recently announced farmout to Hilcorp.

The profile of the regional Eagle Ford shale trend continues to grow with further announcements of acreage acquisitions and drilling activity surrounding the Sugarkane Field. Initial results continue to support the premise that the shale is one of the most economic within the USA.

Under the terms of the farmout, Eureka is free carried for the stimulation of the three existing Sugarloaf AMI wells and the drilling, completion and tie in to production of a further 3 new wells within the Sugarloaf AMI. The farminee receives a preferential repayment of costs from the wells drilled and once repaid, Eureka receives production income based on its farmed down interest. Hilcorp earns its interest on an incremental basis as the farmin work program is completed.

Eureka believes this activity, together with Hilcorp's proposed drilling activity within its other farmin areas at the Sugarkane Field and the widespread ongoing regional activity occurring within the Eagle Ford Shale play will continue the process of demonstrating and establishing the considerable value of Eureka's interest in the Sugarloaf AMI.

Sugarloaf AMI

During the reporting period, production continued from the unstimulated Kowalik-1H well and the partly stimulated Kennedy-1H well. Over the reporting quarter the following production volumes have been reported:-

- Kowalik– H: 10,345 mscf gas, 3,395 bbls condensate and 44 bbls water
- Kennedy–1H: 2,053 mscf gas, 743 bbls condensate and 5 bbls water.

Importantly production from the field has demonstrated a condensate to gas ratio of in the range of 150 to 350 bbls condensate / mmcf. Both the Kowalik-1H and Kennedy-1H wells during the past quarter have produced at the high end of this range. Accordingly much of the revenue from the field is derived from condensate sales and the ultimate average condensate to gas ratios will have a significant impact on field economics and value.

Hilcorp are currently preparing to stimulate these wells and the other Sugarloaf AMI horizontal well, Weston-1H as the first phase of the farmin. Well site work for these operations has commenced with construction of large water storages, drilling and operation of water production wells, and the clean-out and preparation of the horizontal wells for stimulation. Stimulation operations are expected to start in mid November.

Farmout Program

On the 21st September, Eureka announced the successful farmout to Hilcorp Energy, the 4th largest private E & P company by production in the USA.

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

- The farmin by an established and material company such as Hilcorp to the Sugarloaf AMI and other AMI's within the Sugarkane field is a significant endorsement of the multi Tcfe potential and value of this gas and condensate asset.
- 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 AMI 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 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 AMI.
- Hilcorp has also entered into a farmin over the other land areas either adjacent to or nearby the Sugarloaf AMI, with additional 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.
- Eureka's financial commitments at Sugarloaf through this development phase are now minimal. Eureka will continue to contribute funds to ongoing lease maintenance activities on a post farmout basis.

Having completed this transaction preparation and planning activity commenced immediately at the three existing Sugarloaf wells that are to be stimulated. The fracture design being used requires considerable volumes of water and dedicated water wells and holding pits are being prepared at each location. Stimulation activities are due to commence on these wells in mid November. The first farmin wells are expected to be drilled within the Sugarloaf area and are anticipated to commence in Q1 2010.

Regional activity

Over the last year drilling activity and leasing within South Texas has defined a regional trend which has become known as the Eagle Ford Shale play. At Sugarkane this shale play is a connected lower extension of the Austin Chalk reservoir. The shale consists of interbedded chalk and rich organic shale. Companies began reporting their regional activity in Q4 2008 and throughout 2009. Eureka's recently released Annual Report provides additional detail and an update on recent Eagle Ford activity.

The companies that have made such announcements include Petrohawk Energy Corporation (NYSE:HK), Murphy Oil Corporation (NYSE:MUR), Anadarko, Apache Corporation (NYSE:APA), TXCO Resources (Nasdaq:TXCO), St Mary's Land & Exploration Company (NYSE:SM), Pioneer Natural Resources (NYSE:PXD), EnCana Corporation (ECA:TO) and of

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course ConocoPhillips Company (NYSE:COP) who operate the adjacent acreage within the Sugarkane field and have reported holding 300,000 acres within the Eagle Ford trend.

Petrohawk continue to provide the most public information on their activity. Their most recent presentation, dated 29/09/09, included further production information with the average initial production rate for their first 11 wells of 8.9 mmscfe/d at a 6:1 conversion of condensate or 10.5 mmscfe/d at a 15:1 conversion ratio.

CORPORATE

Subsequent to the end of the quarter Eureka completed a share placement of 17.25m new shares at a placing price of 3.8 cents per share. The placement raised \$655,500 before costs of the issue which amounted to approximately 5% of the funds raised. These funds will be utilised as working capital together with the limited funds held at report date. This raising was determined a necessity by the board due to the low free cash on hand during the past quarter. Whilst financial commitments and obligations are expected to be minimal during the farmin operations, there will be certain costs in relation to the Sugarloaf AMI land maintenance and renewal program.

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.

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 September 2009

Consolidated statement of cash flows

	Current quarter	Year to date (3 months)
	\$A'000	\$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	49	49
1.2 Payments for		
(a) exploration and evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) administration	(212)	(212)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net Operating Cash Flows	(162)	(162)
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)	(162)	(162)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(162)	(162)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	-
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	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(162)	(162)
1.20	Cash at beginning of quarter/year to date	387	387
1.21	Exchange rate adjustments to item 1.20	(11)	(11)
1.22	Cash at end of quarter	214	214

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	66
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 fee Rentals & outgoings

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

On 21 September 2009, Eureka announced the successful completion of the farmout of the consolidated acreage across the Sugarkane Gas and Condensate field, in which Eureka has an interest, by Texas Crude Energy Inc.
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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	75
4.2 Development	-
Total	-

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	214	387
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	214	387

Changes in interests in mining tenements

	Tenement reference	Nature of interest	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

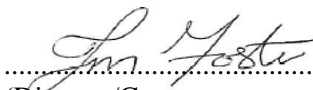
Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	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	115,003,875	115,003,875	Various	Fully Paid
7.4 Changes during quarter				
(a) Increases through issues	-	-	-	-
(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
- 2 This statement does ~~/does not*~~ (*delete one*) give a true and fair view of the matters disclosed.

Sign here:  Date: 30 October 2009
(~~Director~~/Company secretary)

Print name: JULIE FOSTER