

ASX RELEASE

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KENNEDY-1H INITIAL FLOW RATES

Eureka Energy Ltd ("Eureka") is pleased to provide the market with the following update on operations at the Kennedy-1H well.

Eureka has been advised by the Operator, Texas Crude Energy Inc ("TCEI"), that the isolation plugs set as part of the Kennedy-1H fracture operations have been drilled out and the well commenced unloading at 0100 hrs on Thursday 28 January (USCST). The initial production rate flowing to sales at 0700 hrs on Saturday 30 January (USCST) using a 22/64 choke was 4.39 mmscf/d gas and 1,132 bpd of condensate. The water production rate, from the recovery of frac fluids, was 408 bwpd.

These initial production rates are very encouraging but the following points should be noted:-

- This is an initial production rate during clean up and is not yet indicative of a short or long term production profile.
- The well still has considerable fluids to recover from the fracture stimulation operations.
- The well is flowing from approximately 2,200 ft of stimulated Eagle Ford Shale with the remainder of the 4,000 ft horizontal liner isolated and not contributing.
- The well is currently producing through the 7" production casing with a production tubing string to be installed in due course.

The initial flow rates are demonstrating a high condensate ratio which is significant in terms of the commerciality of the well and wider field. Eureka looks forward to seeing how the well cleans up and to the imminent frac stimulation of our existing Weston-1H well. Further production performance data will also be gained as Hilcorp complete their farmin obligations across the Sugarloaf and adjoining Sugarkane land.

Eureka will continue to advise the market on production rates as part of our regular updates or as specifically required.

Yours sincerely

EUREKA ENERGY LIMITED

Graham Dowland
Chairman