



ASX RELEASE

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BISMIL PROJECT – OPERATIONS UPDATE & AMENDMENT TO FARM-IN TERMS

Operations Update - Koyunlu-2 Exploration Well

Following arrival of the required well test equipment, operations have recommenced on the Koyunlu-2 well. A 6" diameter hole was drilled from 1,118 metres to 1,149 metres in the shallowest target, the Garzan Formation. Oil shows were obtained in the lowermost 15 metres, however a Drill Stem Test ("DST") over the full section (1,118 to 1,149 metres) recovered only formation water and drilling fluids. The Joint Venture has agreed to continue drilling to the programmed final depth of 1,260 metres in order to evaluate the deeper Beloka and Mardin formations and also retains the option of drilling deeper if results warrant.

Amendment to Farm-In & Option Terms

Background

In October 2006, Eureka entered into a Farm-in agreement to earn a 20% interest in two adjoining exploration licences ("the Bismil prospect") covering about 590 square kilometres in South East Turkey. In addition to the payment of certain past costs, Eureka was to fund 30% of the costs of two wells to be drilled within the License Areas.

The first well, Koyunlu-1, was drilled early last year and had heavy oil shows in the first target, the Garzan Formation. No commercial oil production has been established from this well which is currently suspended.

The second farm-in well, Koyunlu-2, is currently being drilled. At the conclusion of drilling this well Eureka will have completed its farm-in requirements and will have earned its 20% interest in the Bismil prospect.

In 2006, Eureka also acquired an Option to acquire a further 25% interest in the License Areas, exercisable at US\$2m within 3 weeks of the conclusion of the second farm-in well, Koyunlu-2.

Revised Terms

Eureka and ARAR Oil and Gas Inc ("ARAR" - the Operator of the licences) have renegotiated the terms of both the Farm-in and Option Agreements. A summary of the revised terms are:

1. Farm-in Agreement – Eureka has reduced its financial commitment to the Koyunlu-2 well to US\$250,000. At completion of Koyunlu-2 well, Eureka can elect to pay the balance of its farm-in obligation or relinquish 10% of its participating interest in the Bismil prospect, and
2. Option Agreement – The Parties have agreed to extend the exercise period of the Option from the completion of the Koyunlu-2 well until after completion of a third well to be drilled in the License Areas. Eureka may further extend the exercise period of the Option to a fourth well if the third well is not drilled to test the Bedinan Formation.

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The Bedinan Formation is the deepest of the three potential zones being targeted within the License Areas. In extending the Option exercise period, the participating interest under option has reduced to 10%. The Option exercise price is set at US\$1.25m.

Conclusion

Management considers that the renegotiation of the terms of the Farm-in and Option Agreements enable Eureka to maintain leverage to drilling success in Turkey whilst reducing and deferring the decision to commit further capital within the License Areas until testing of all remaining targets has occurred.

The renegotiation of these terms also ensures that Eureka is adequately funded to meet existing and likely commitments to additional activity at its major asset in the US, the Sugarloaf prospect.

ENDS

Background to the Bismil Project

The licences are operated by ARAR (55%), a private Turkish exploration and production company with a drilling and oilfield operations arm. ARAR has offices in Ankara Turkey and in Houston, Texas. ARAR has extensive experience in drilling and completion of oil wells in the South East Turkey region.

Recently, JKX Turkey Limited ("JKX"), a subsidiary of JKX Oil & Gas plc, which is an oil and gas exploration and production company listed on the London Stock Exchange, and MPX Turkey B.V., a private oil and gas company, entered into a farm-in agreement with ARAR to acquire a 20% and 5% interest in the Bismil License areas respectively. JKX also hold a 30% interest in the adjacent Karakilise licenses operated by Aladdin Middle East Inc.

The Koyunlu-2 well is located approximately 17 kilometres south of the West Raman oil field (original oil in place 1.5 billion barrels) in the major oil producing region of South East Turkey.

The Koyunlu-1 well was located to test the eastern portion of a structural trend with similarities to the West Raman - Raman oil field structural trend. The target reservoirs are Cretaceous age carbonates of the Garzan Formation and the underlying carbonates of the Mardin Group. These are the same reservoirs which host oil in the nearby Raman fields and numerous other oil fields in the region. The Mardin Formation was not drilled in Koyunlu-1 and remains a valid target. A third target, the Bedinan Formation, is a target reservoir lying underneath the Mardin Formation.

Koyunlu-2 is designed to test the Garzan Formation updip of the extensive oil shows obtained in Koyunlu-1 and then to continue to test the Mardin Formation.

The oil produced from the Garzan Formation in the Raman fields is relatively heavy (13-18 API gravity), however this oil is readily saleable at a discount to standard Middle Eastern Crude prices.

Further information on Eureka and its projects are available on our website at www.eurekaenergy.com.au or contact the company on 08 9440 2640.

Certain information contained in this report was compiled from material provided by ARAR Petrol Gaz AUPAS in respect of the Bismil Project to P D Allchurch, BSc, FAIMM, MPESA, who has had 40 years experience in the practice of geology and more than 5 years experience in petroleum geology. Mr Allchurch has consented to the inclusion in this report of the matters based on this information in the form and context in which it appears. Mr Allchurch holds shares and options in Eureka Energy Limited.

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