



eureka energy LTD.

**A new Oil and Gas Producer.....
.....with a long-term future**

Annual General Meeting

24 November 2010

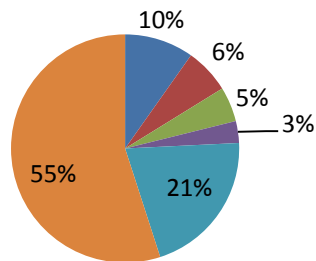
(ASX : EKA)

Corporate Snapshot

- Listed in 2005; farmed into the Sugarloaf project in Texas in 2006
- Shares on Issue: 207 million
- Market Capitalisation: ~A\$62mm (at \$0.30)
- Debt: Nil
- Cash: \$7.5m
- Board of Directors
 - Ian McCubbing (Chairman)
 - Mark Wilson (Non-Executive)
 - Peter Mills (Technical Non-Executive)

Share Ownership

■ Hugh Wallace-Smith ■ Mr David Neate ■ AWE
 ■ Directors ■ Other Top 20 ■ All Others

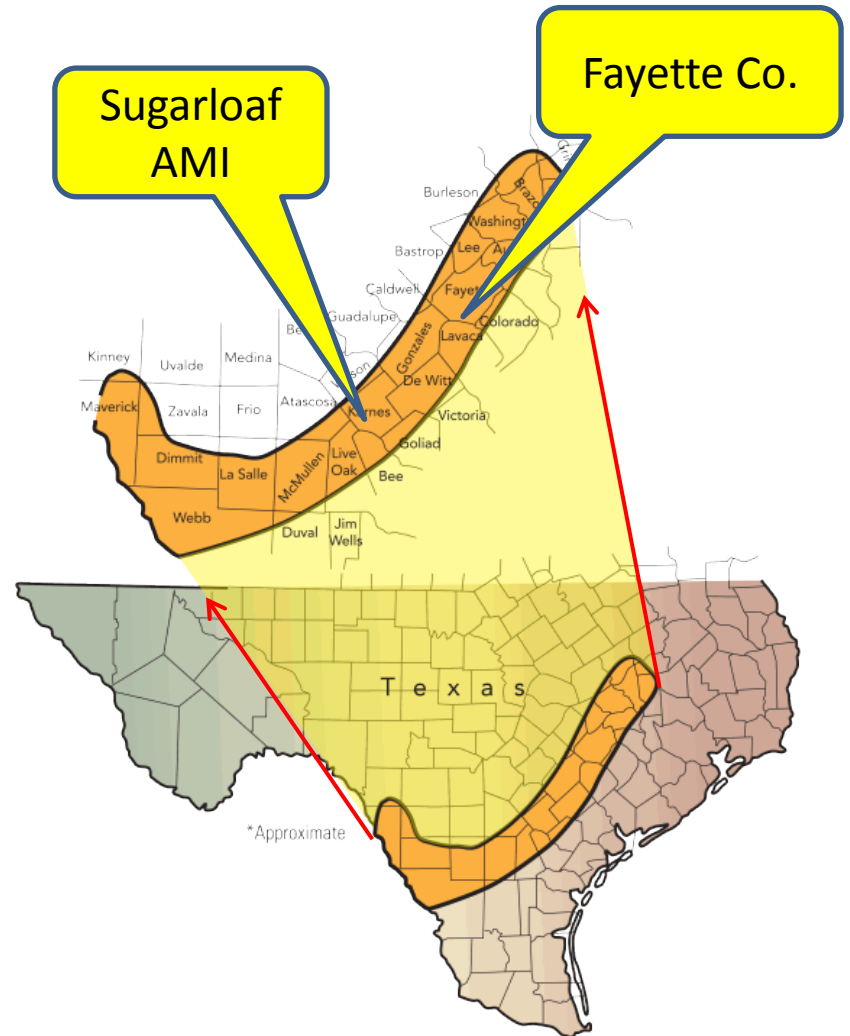


Share Price Performance



Asset Overview

- Single Play Focus – **Eagle Ford Shale** of south Texas
- 2 high quality assets – one Producing, one Exploration....
 - **Sugarloaf AMI** (24,150 gross, ~1,500 net acres – 6.25% Working Interest with Av. NRI 75%)
 - Located in the condensate rich heart of the Eagle Ford shale
 - Production commenced in mid-2010 – now producing from 5 wells
 - Net 2P Reserves 1.6mmbbls oil + 11BCF gas
 - Net 3P Reserves 5.0mmbbls + 30BCF
 - **Fayette Co.** (761.5 gross acres - 100% Working Interest Av. NRI 73%)
 - Newly acquired underexplored exploration acreage
 - Located in the Eagle Ford oil-rich fairway
 - Additional potential in the Wilcox (gas) and the Austin Chalk (oil)



The Eagle Ford trend in south Texas

Shale Gas and the Eagle Ford Shale

- Shale Gas (and to a lesser extent, tight gas sands) has been a revelation in the USA because previously un-producible resources are now economic. This is almost entirely due to recent advances in horizontal drilling and in fracture stimulation technology
- There are several shale gas plays in the USA. The Barnett Shale is the best known because it was the testing ground where the technological breakthroughs were made.....
- **.....but the Eagle Ford shale has much better economics because of its high condensate yield, simple geology, and relatively cheap drilling and frac costs**
- Shale has the advantage that, once the resource potential is identified and the land acquired, technical risk is minimal. Ultimately, shale gas has mining economics – sell the product for more than it costs to drill, frac and produce.

Major North American unconventional plays



Orange: Shale Gas

Blue: Other Unconventional

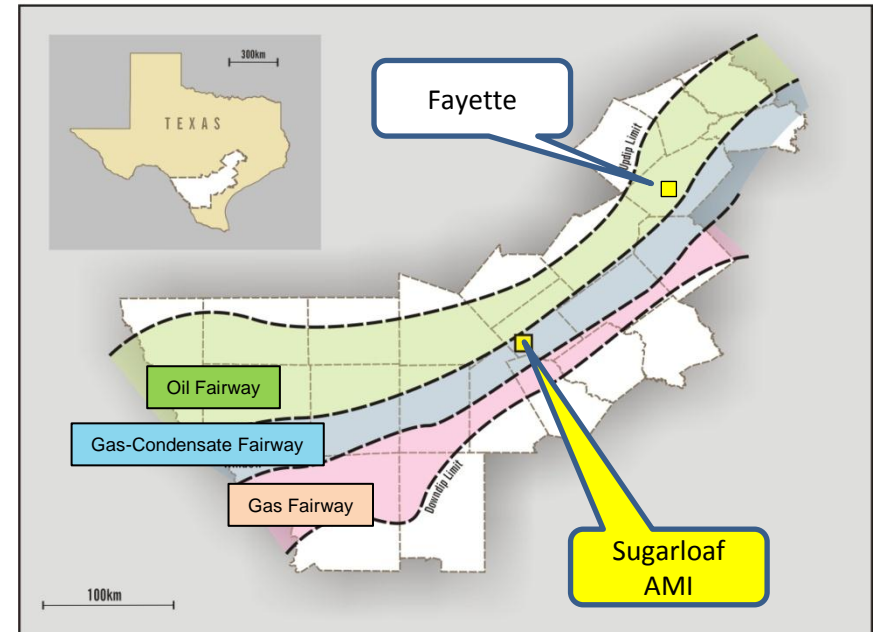
Source: EIA, OG&J, GE Energy

Eureka has Proven reserves in a substantial area of the Best Part of the Eagle Ford

Sugarloaf AMI (EKA av. 6.25%)

- The Sugarloaf AMI (24,150 acres) is centrally located in the Gas-Condensate fairway of the Eagle Ford shale
- The play is proven to be economic – both within Eureka’s acreage and on trend. Major companies have fully leased the adjacent areas and acreage is trading at record highs.
- The Sugarloaf AMI has very high Initial Production Rates (IP’s), some of the best on the trend; the focus now is to maximise EUR’s per well, by
 - increasing drilling and fracking efficiency, and
 - to minimise costs

Three hydrocarbon fairways parallel the Eagle Ford trend. Sugarloaf is in the high value “Gas-Condensate” fairway which means that large volumes of condensate (~25 – 400 bbls/mmcf) are produced along with the gas stream. By way of contrast, the “Gas” fairway produces gas with lower liquids (and is therefore lower in value) and the “Oil” fairway produces predominantly oil – with the EUR depending on the quality of the host rock.

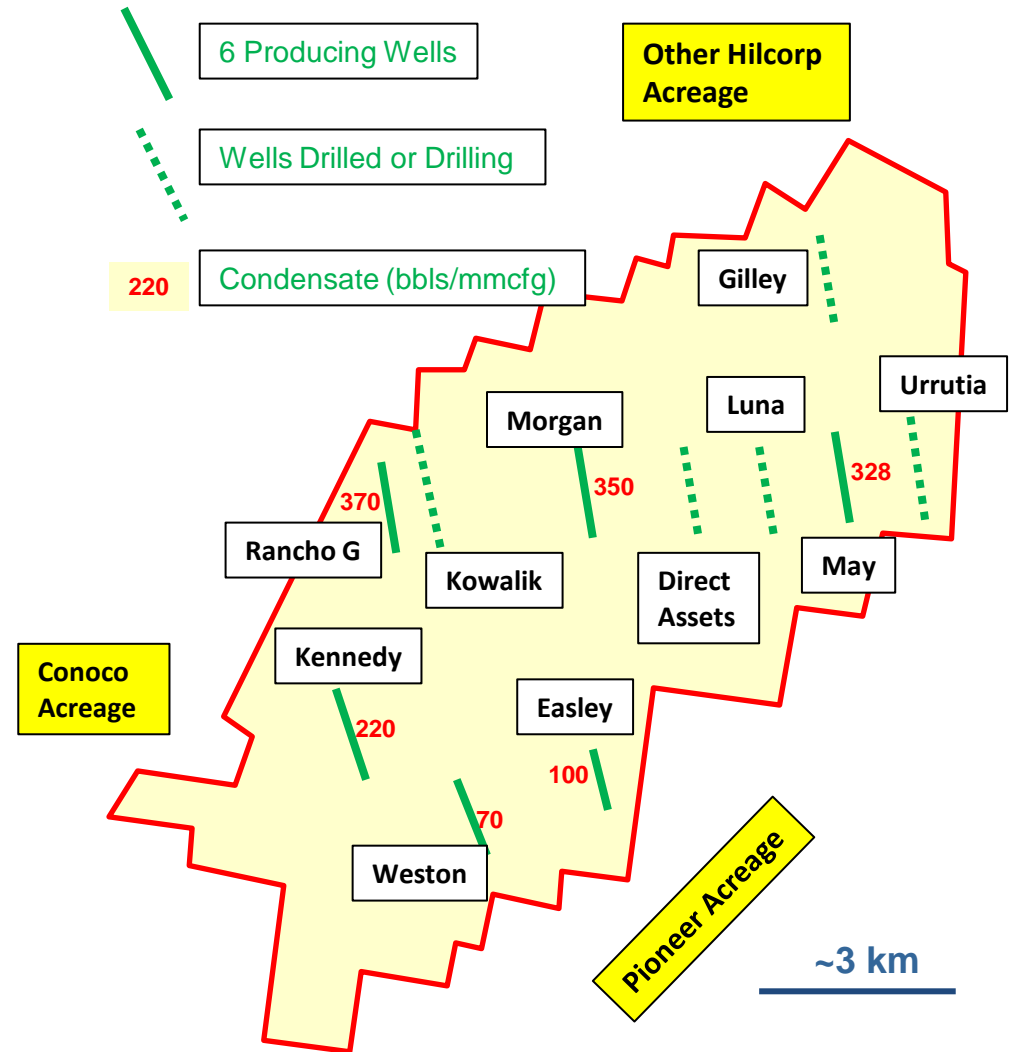


AMI = Area of Mutual Interest

EUR = Estimated Ultimate Recovery

Sugarloaf AMI – Practicalities

- Area: 24,150 acres
- Operated by Hilcorp; an accomplished, technically able, Houston-based operator
- Eagle Ford at 12,500' / 5,000' laterals – up to 23 stage multi-stage fracs
- Forecast future well costs ~US\$8.4 million
- In practice, wells hold 700 - 1000ac...therefore 25 - 30 wells needed to hold AMI by production
- Intense activity in adjacent acreage – Pioneer and Sugarloaf AMI boast the best IP's on the whole trend



Schematic of Sugarloaf AMI

Sugarloaf Well Results

Well	EKA %	Horizontal Length (ft)	30 Day Average Production Rates (Gross)		Approx Condensate Ratio
			Gas (mmcf/d)	Oil (b/d)	
					bbls / mmcf
Kennedy 1H*	6.25%	2,200	3.05	661	220
Weston 1H*	6.25%	3,000	5.49	388	70
Morgan 1H*	6.25%	4,400	3.65	1,283	350
Easley 1H*	6.25%	2,750	4.20	407	100
Rancho G 1H*	7.165%	4,900	2.83	1,040	370
Kowalik 1 HR	7.165%	6,500	Casing repaired - installing prod. tubing		
Luna 1H	6.25%	5,000	Fracced – awaiting stabilised flow		
May 1H	6.25%	5,000	1.9**	634**	328
Urrutia 1H	6.25%	5,000	Drilled – awaiting frac		
Direct Assets 1H	6.25%	5,000	Frac in progress		
Gilley 1H	6.25%		Drilling		

Operator has advised that up to 3 additional wells may commence by the end of 2010 (now more likely early 2011)

Early production averages from these wells are excellent and imply similarly excellent EUR's. However, the best overall economics depend on achieving the highest possible recovery per well. To do this, Operator is experimenting with various frac designs and by controlling production flow back.

The focus is now on maximising the recovery per wells rather than on headline IP's.

*These wells drilled and / or fracced under the Hilcorp farmin. Eureka will receive production from these wells after payout ~Late 2010 / early 2011

** Flow rate after ~ 16 days

Timing of Operations*

Year	2010	2011			
Quarter Ending	Dec	Mar	Jun	Sep	Dec
New wells	Up to 3	4-7		4	
Frac	5	7		4	
Expected no. of Producing Wells (cumulative)	11	18	18	22	22

2010 new wells yet to spud (up to 3)

2010 frac (5): Kowalik -2 , Luna, Direct Assets, Urrutia, Gilley

Current Producers (6): Kennedy, Weston, Morgan, Easley, Rancho Grande, May

Mid-year, EKA will consider commissioning a new reserves report

By year end, "Possible" reserves expected to be converted to "Proven + Possible"

By mid 2012, Sugarloaf AMI expected to be held by production

* Current best estimates. In practice, timing of operations is subject to change at short notice depending on factors such as Operator changes in priority, leasing practicalities, weather, availability of drilling and frac equipment etc etc.

Reserves and NPV

Reserves*		Proved		Probable		Possible		Total	
		mmbbl	bcf	mmbbl	bcf	mmbbl	bcf	mmbbl	bcf
Sugarloaf	Gross	11	77	25	160	73	403	108	641
	Net	0.5	3.7	1.1	7.3	3.4	18.8	5.0	29.8
Net Present Value**									
NVP10	Net	US\$25.60mm		US\$46.40mm		US\$115.50mm		US\$187.50mm	
Implied Value per EKA Share***									
A\$/share		\$0.12		\$0.22		\$0.56		\$0.91	
A\$/share		Proved + Probable = \$0.34				\$0.56		\$0.91	

Possible Reserves will progressively be converted to Proved + Probable (2P) reserves as more wells are drilled. Approximately 12 new wells are required to achieve this.

By the end of 2010, if the 3 drilled but currently unfracted wells are successful, 2P reserves should increase by ~65% to ~2.7 mmbbls + ~18 bcf.

Thereafter, 8 new successful wells should convert the remaining 3P to 2P reserves.

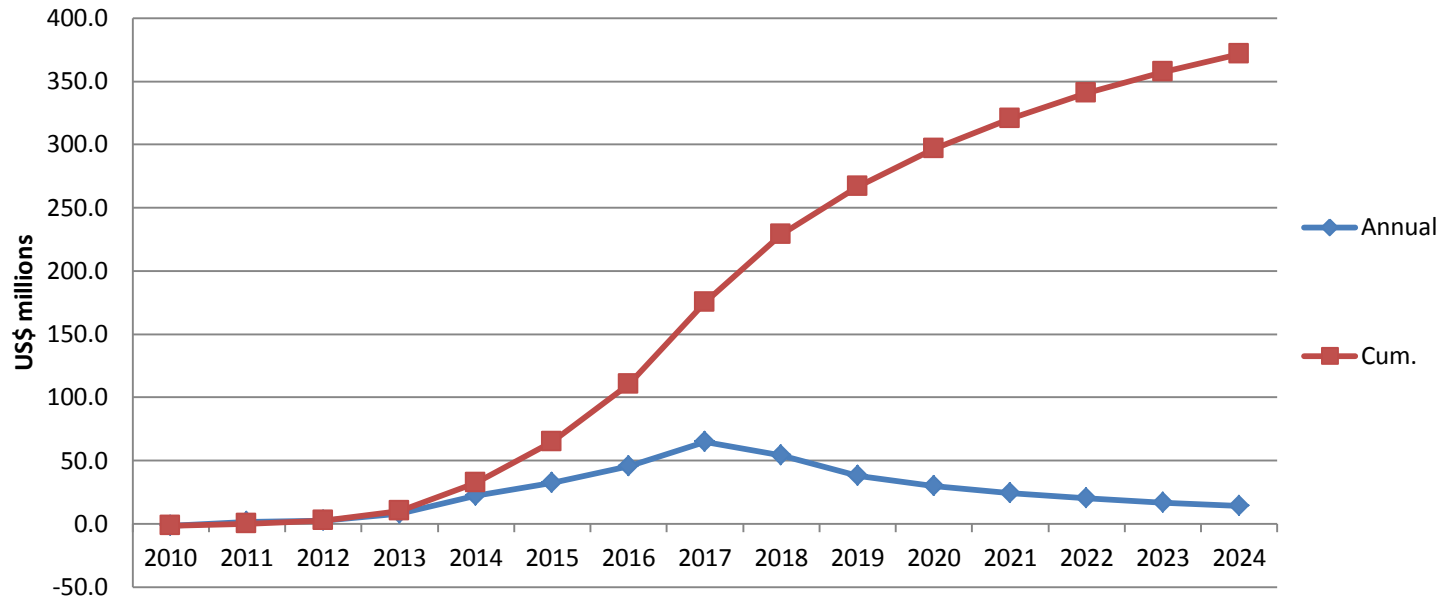
* Reserves, NPV and Cashflow were prepared by NSAI in July 2010 – a leading USA based petroleum engineering consultancy.

** Net Present Value is calculated in Real terms at a 10% discount rate, after State taxes, future Capital Costs and Operating Costs but before Company Tax. See Appendix for price assumptions.

*** 207 million Eureka shares on issue and AUD parity with USD assumed.

Cashflow

Cashflow * (net to Eureka)



First cashflow to Eureka is expected in late 4Q 2010 / early 2011 after the Hilcorp farmin is complete.

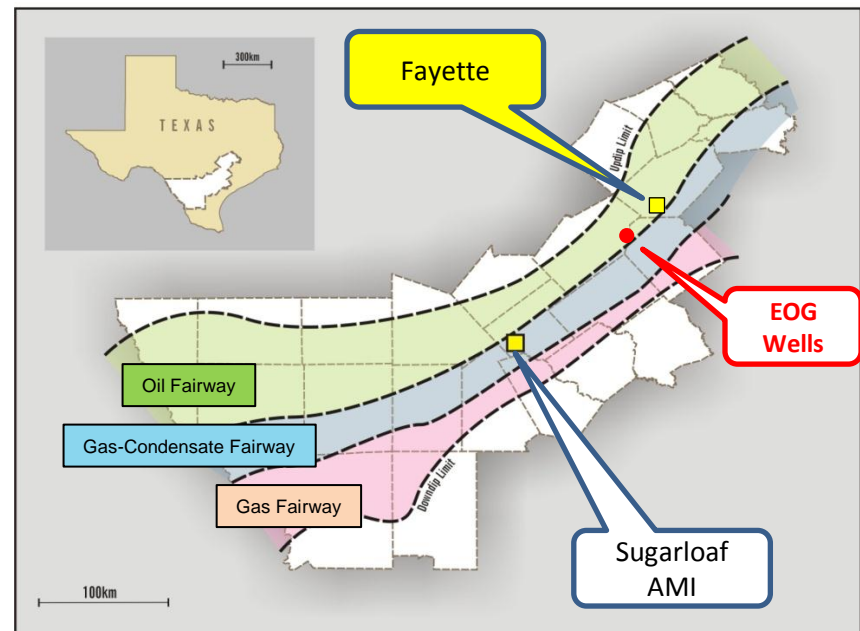
The above cashflow profile was prepared by NSAI and assumes that 12 wells will be drilled in 2011, 24 in 2012....thereafter 40 – 50 wells per year until 2017.

*** Cashflow was estimated in July 2010 by NSAI as part of the Reserves and NPV work. It is calculated after State taxes, future Capital Costs and Operating Costs but before Company Tax. See Appendix for price assumptions.**

Fayette Co. (EKA 100%)

- Newly acquired 761.5 acres via local USA consulting group – 3yr lease terms.
- Acreage lies within the eastern oil-rich fairway of the Eagle Ford (EF) shale. Reported as being one of the most economic EF areas (Hart UGC Oct 2010)
- The EF shale has oil shows and porosity and the overlying Austin Chalk also has fracture porosity
 - Secondary Wilcox targets have high potential and can be evaluated at the same time as the underlying EF / Chalk
- The play is proven to the SW and NE by EOG and Apache. Magnum Hunter recently drilled 20km to the SW with an of IP 1,200 bopd rumoured.
- **EOG Resources is active 40km to the SW – several wells IP to ~2,000bopd + 2mmcfcpd**
- Only 3 wells (early 1980's) drilled on the acres....all have highly encouraging log characteristics and shows including a reported **535 barrels of oil recovery from the Austin Chalk**
- Future plan is to carry out geological and geophysical work and observe activity on trend before drilling (possibly via farmout)

	Sugarloaf	Magueyitos
Reservoir	Eagle Ford + Chalk	Eagle Ford + Chalk
Hydrocarbon Phase	Condensate / Gas	Oil
Secondary Target	Wilcox (present but minor)	Wilcox (high potential)
EF Pressure	Over Pressure	Normal Pressure
EF Depth	12,500'	10,800'
EF Porosity	9%	15% (log)
Drill + frac cost	US\$8.5mm	US\$6.5mm



Discussion

- Sugarloaf Outlook
 - The remaining 2010 program is to frac and flow the 5 existing wells and drill up to 3 new wells
 - 2011 program will continue to focus on securing acreage by production
 - If the planned eleven 2010 and 2011 wells are successful, most if not all of the possible reserves can reasonably be expected to be converted to 2P reserves
 - First post farmout revenue from 2010 wells will commence late 2010 / early 2011
- Implied value per share based on Sugarloaf only
 - NSAI NPV10 (2P US\$72mm = ~A\$0.34 / share; 3P US\$187.5 = A\$0.91/ share)
- Sensitivities
 - Oil price: a 25% increase in oil price yields a >40% increase in 3P NPV (i.e. \$0.37 per share)
 - The Sugarloaf field, with a life of over 20 years has long term exposure to future oil price, and with low technical risk, could justifiably be valued higher with a lower discount rate
- Risks
 - Minimal remaining technical risk
 - Cost of oil-field services may rise
 - Environment management an issue – but less so in west Texas
 - Adverse economic conditions can be managed by curtailing new drilling and frac activity

Summary

- Eureka is a brand new producer in The Best Shale Gas Play in the USA
- With 288 well locations and a field life of 25+ years the company has a long term future
- The hard work has been done, the play is proved, and EKA has booked:
 - **Proven and Probable Reserves 1.6mmbbls + 11BCF of gas**
 - + low risk Possible Reserves 3.4mmbbls oil +18BCF of gas, for a.....
 - **Total 3P reserves of 5mmbbls oil + 29BCF of gas**
- Fayette Co. acreage acquisition was a coup, has uplifted EKA's net Eagle Ford acres and the area has excellent oil potential
- Eureka has total flexibility moving forward; cashed up after the recent Placement, high upside and minimal (manageable) downside
- Independent (pre-tax) NPV of Sugarloaf alone at ~US\$187mm represents a major option value on a stock trading at a market cap of ~A\$62mm

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NPV10 Assumptions

Applied by NSAI for valuation purposes.

Oil and gas prices used are based on 1 July 2010 NYMEX West Texas Intermediate prices and are adjusted for quality, transportation fees and regional price differential. Gas prices are based on 1 July NYMEX Henry Hub prices and are adjusted for energy content, transportation fees, and a regional price differential. All prices before adjustment are shown on the following table;

Period Ending	Oil Price (USD/Barrel)	Gas Price (USD/MMBTU)
31/12/2010	73.95	5.05
31/12/2011	76.97	5.41
31/12/2012	79.07	5.69
31/12/2013	80.50	5.89
31/12/2014	81.76	6.10
Thereafter	83.19	6.37

The reserves are based on 288 horizontal wells with 80 acre spacing.

- NSAI are a group of leading USA based petroleum engineering consultants.
- NPV is calculated in Real terms, after State taxes, future Capital Costs and Operating Costs but before Company Tax

BOE Equivalents

- Sugarloaf AMI Gross Reserves (100%)
 - 3P ~ 100mmbbls + 650 BCF
 - MMBOe = 200 (6x) or 150 (12x)
 - BCFe = 1,250 (6x) or 1,850 (12x)
- Eureka net reserves (after royalties)
 - 3P: 5mmbbls + 30BCF
 - MMBOe = 10 (6x) 8 (12x)
 - BCFe = 60 (6x) 90 (12x)