

ASX Quarterly Report for the Period Ended 30 September 2010

HIGHLIGHTS

Pyrolysis Project (to produce hydrogen and solid carbon fibres and nanotubes from methane)

- Eden acquired the 50% interest in the pyrolysis project and the gas to liquids project held by the University of Queensland (thereby moving Eden to 100% ownership) in consideration of the issue of 3.75 million Eden shares.
- Eden's wholly owned subsidiary, Hythane Company has commenced the initial scale-up of the pyrolysis technology in Colorado, USA. The testing and optimising the process is underway with extremely encouraging preliminary results being achieved.

India

- Collaboration agreement signed with the Automotive Research Association of India ("ARAI").
- Eden appointed by Woodward Governor as a recognised engine retrofitter ("RER") for dual fuel engines in India.
- Eden received its first order for an Optiblend® kit for a 1,250KVA generator based in Mumbai, which is now being installed, for completion before the end of October 2010.
- Eden secured sales of two further Optiblend® Dual Fuel Kits to a large tea plantation in Assam in north-eastern India.
- Delay in first Indian Hythane® bus trials

CORPORATE

- Eden successfully completed a share purchase plan raising \$1.3 million

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HYDROGEN, HYTHANE® AND DUAL FUEL PROJECTS

Pyrolysis Project

Through this technology, methane (natural gas) is broken down into its atomic constituents of hydrogen gas and solid carbon, without the production of carbon dioxide. The solid carbon is produced as carbon fibres and nanotubes that have a tensile strength of up to several hundred times greater than that of steel.

If successfully piloted on a commercial scale, the process could have important implications for the widespread commercialisation of these ultra-strong forms of carbon that can be used in composite materials for the construction, electronics, aerospace and vehicle building industries. Additionally it would produce low cost hydrogen.

During the quarter Eden completed a detailed review of the project and the options available and Eden:

- 1 terminated the discussions with IOCL;
- 2 completed the previously announced purchase by Eden of the 50% interest in the technology owned by the UQ (for a consideration of 3,750,000 shares in Eden, escrowed for 24 months) thereby taking Eden's interest to 100%; and
- 3 made significant progress in the initial up-scaling of the technology in-house at the Hythane Company's laboratory in Denver, Colorado, USA, with the on-going support and involvement of the engineers from the UQ.

Initial Scale-up in USA

In August 2010 staff from Eden's wholly owned subsidiary Hythane Co visited the University of Queensland meeting the engineers behind the technology. Upon return from Queensland, Hythane completed the procurement and installation of the equipment required for the initial scale-up. The scale-up, which will occur in two stages, has commenced at Hythane's laboratory in Colorado, with the first samples of the carbon produced being sent off for testing.

The initial tests in US have produced extremely encouraging results, particularly with the production of carbon fibres and also with the carbon nanotubes. In particular, a highly stable production process, that operated continuously for more than two days has been achieved utilizing catalysts produced on-site in US, resulting in the production of a high volume of carbon fibres with a purity of well over 99.99% accompanied by a significant quantity of hydrogen. Steps have begun to have both the carbon fibre and the carbon nanotubes that are being produced analysed and tested to determine the commercial suitability of these products.

Eden hopes that testing and optimising of the first stage of the scale-up process will be completed by early 2011 after which, if our results justify, the second stage of the scale-up, to build a small commercial prototype unit, will commence. The final design will be settled based on the outcome from the current test work, after which the unit will be built and tested. The targeted time to complete both stages is approximately 15 months.

The market for carbon fibre and nanotubes is growing rapidly. In January 2010, Bayer Material Science opened a pilot facility in Germany capable of producing 200 metric tons of carbon nanotubes annually. The company says potential applications include use as a strengthening agent for polymer matrices and metal systems or in coatings for ships because of its abrasion-resistant properties. A spokesman for the company noted that forecasts show the market for

nanotubes will grow at an annual rate of 25%, and within 10 years the annual market is expected to be worth \$2 billion. Bayer reportedly expects nanotechnology will create 100,000 jobs in German industry in the medium term.

Eden is targeting to develop a highly efficient, commercially competitive process that will enable Eden to either produce and market the carbon itself, or else licence others to use its technology.

Additionally, the other product from Eden's pyrolysis process is hydrogen, the real cost of which will be dependent upon the value of the carbon produced. The hydrogen produced can then be fed into the various hydrogen/Hythane® applications that Eden has been developing around the world, with the intention of thus accelerating the commercial rollout of these downstream hydrogen applications based on an emerging supply of low cost hydrogen. The current cost of hydrogen is one of the factors holding back a broader rollout of hydrogen technology. Of further interest, the hydrogen produced using the Eden pyrolysis process will generate only a relatively small amount of greenhouse gas as a by-product of the production process compared with the other currently available methods of hydrogen production, and in consequence it is projected that the hydrogen will be both extremely commercially competitive and environmentally very acceptable.

Background – Hydrogen in India

In 2006, India adopted a Hydrogen Roadmap that proposes to have 20% of all vehicles running on a hydrogen based fuel by 2020, and plans to use hydrogen enriched natural gas (Hythane®) as the transitional fuel. At present there are approximately 12 Indian cities that have established natural gas distribution networks, in which expanding numbers of natural gas fueled vehicles, particularly buses, are operating. The Indian Government has announced a new target to expand such networks to 200 cities by 2015 – opening up a potentially huge Hythane® market across the country.

Additionally, commercial production of natural gas from the large offshore KG basin commenced in April 2009, which is expected to significantly increase the amount of available natural gas in the coming years. These factors together make India the primary target market for Eden's hydrogen and Hythane® technology.

Progress on Eden's Indian Hydrogen/ Hythane® Projects

1 Indian Hythane Projects

Collaboration Agreement with ARAI

During the quarter Eden entered into an agreement with the Automotive Research Association of India ("ARAI") to collaborate to promote in India the use of hydrogen and hydrogen enriched natural gas (HCNG or Hythane®) as a premium blend of Natural Gas for internal combustion engines.

This agreement with a leading Indian automotive industry body is seen as another important step in the promotion in India of the use of both hydrogen and hydrogen enriched natural gas as vehicle fuels in India and will help to build the momentum in India for the use of these new, clean fuels.

ARAI, established in Pune, India, in 1966 by the Indian automotive industry and affiliated with the Indian Government's Ministry of Heavy Industries and Public Enterprises, is one of the leading, R&D, testing and certification organizations in India.

Under the terms of the agreement Eden and where appropriate its subsidiaries, and ARAI agree to collaborate on projects that may arise including in the areas of:

- 1 Engine and engine component development for hydrogen and HCNG applications;
- 2 Testing of hydrogen and HCNG engines developed by Eden for different regulations;
- 3 Development of Standards and Regulations; and
- 4 Demonstration projects, including the first Hythane® bus demonstration project planned by Eden for 2010/2011 in Mumbai in collaboration with GAIL and MGL, where ARAI would lend its general support such as assisting as required with Vehicle Layout evaluation for the HCNG bus.

Mumbai Hythane® Bus Demonstration Project

During the quarter the applications for the necessary government approvals for the proposed Mumbai Hythane® bus demonstration project with GAIL (India) Ltd ("GAIL") and Mahanagar Gas Ltd ("MGL") were prepared. These will be lodged once agreement with the bus company on the project details is reached.

GAIL (Gas Authority of India) is the largest distributor of Natural Gas in India. MGL is a joint venture company jointly owned by GAIL, BG Group and the Government of Maharashtra, which owns and operates pipelines and markets Natural Gas in and around the Mumbai area to a broad commercial, domestic and industrial customer base of more than 25 million people.

The demonstration project in Mumbai will involve Eden establishing a Hythane® refuelling station at a suitable bus depot to fuel buses, progressively increasing to 50-70 buses. The proposed bus depot in Mumbai is operated by BEST, the state owned Mumbai bus operator that operates more than 4000 buses, half of which are already using natural gas and all of which are planned to be operating on natural gas within the next three years. MGL supplies BEST with all its natural gas requirements. However, following recent changes in management personnel at BEST, renewed negotiations with BEST on the project details are still underway, slowing this project whilst new management become familiar with the details. As a result, it is now hoped that this project will be operating some time during the first half of 2011, but further details will be announced as they become clearer.

Upon successful completion of the demonstration project the parties will endeavour to negotiate a commercial agreement for the ongoing promotion and marketing of Hythane® by MGL in its area of operation. If commercial scale hydrogen production, using Eden's new pyrolysis process were available by that time, it would greatly increase the chances of developing a very large Hythane® market in India if the hydrogen were effectively produced as a by-product to the production of higher value carbon fibres and nanotubes.

2 Dual Fuel Technology

Eden has completed the development of a very efficient dual fuel kit that is capable of operating on diesel engines and displacing up to 70% of the diesel fuel with natural gas. If Hythane® is used in place of natural gas, the displacement of diesel fuel could be as high as 80%. The use of the natural gas will greatly reduce greenhouse gas emissions and, in places where natural gas is cheaper than diesel, will also reduce fuel costs. In various parts of India,

natural gas is already significantly cheaper than diesel, and accordingly Eden has been targeting a diversified market for this technology, starting with stationary power generators and then locomotives.

Many millions of diesel generators are installed throughout India in industrial, commercial, and residential applications, to provide either base load power or backup power generation, largely due to the unreliability of the Indian power grid in many parts of the country. As natural gas, which is both much cleaner and cheaper than diesel, becomes more widely available, a large market is emerging for the conversion of these diesel engines to operate on a dual-fuel system of both natural gas and diesel. Depending upon the size of the engine and the number of hours per day that it operates, payback times for the conversions are often less than 12 months, so the cost is minimal compared to the replacement cost of a natural gas generator.

Indian Optiblend Sales

During the quarter Eden received its first order for an Optiblend® kit for a 1,250KVA generator based in Mumbai, which will help open up a very large potential market in Western and Northern India where natural gas is now becoming available. As part of the arrangement with this customer, the customer is to provide Eden with a detailed report on the kit which Eden may use for marketing purposes.

In addition two more sales of Optiblend® kits to Assam tea plantations were secured during the quarter. These sales are to the same customer as the first three Optiblend® kits sold by Eden in India.

Woodward appointed engine retrofitter

During the quarter Eden Energy India Private Ltd (a wholly owned subsidiary of Eden) has signed an agreement with Woodward Governor India Ltd, the Indian subsidiary of US-based Woodward Governor Company (NASDAQ: WGOV) accepting an appointment as a recognised engine retrofitter (RER) for gas and dual-fuel engines (both single and multipoint injection), with emphasis on larger medium speed engines.

When added to the existing capability that Eden had already developed for undertaking single-point injection dual fuel conversions on high-speed diesel engines, which largely covers diesel generators up to 2 megawatts, the appointment by Woodward as an RER will give Eden the additional capability of undertaking dual-fuel conversions on the much larger medium-speed diesel generators, up to approximately 11 megawatts.

Woodward is an independent designer, manufacturer, and service provider of energy control and optimization solutions used in global infrastructure equipment. Woodward services the aerospace and defense, power generation and distribution, and transportation markets. Woodward systems and components optimize the performance of commercial aircraft; military aircraft, ground vehicles and other equipment; gas and steam turbines; wind turbines; reciprocating engines; and electrical power systems. The company's innovative fluid energy, combustion control, electrical energy, and motion control systems help customers offer cleaner, more reliable and more cost-effective equipment. Woodward is headquartered in Fort Collins, Colorado, USA.

Progress on Eden's US Projects

1 *San Francisco International Airport (SFO)*

As previously reported, further grant funding for an additional electricity supply for this station was being sought. Since the end of the quarter, Eden has been advised that this funding has been awarded, and subject to finalization of the lease agreement for the site, it is hoped that construction may begin next quarter or by early 2011. If this happens, both the hydrogen and Hythane® stations are now likely to be completed and operational during the first half of 2011. Again, whilst there has been an undesired delay in this project, never the less progress does now seem to be being achieved and Eden is hopeful that this project will now proceed.

For this project, Hythane Company has received funding for station infrastructure as well as the conversion of 27 Ford E-450 airport shuttles to run on Hythane®. The project will demonstrate the practicality of Hythane® vehicles for large-scale projects across the US.

Funding is being supplied by the Bay Area Air Quality Management District (BAAQMD) and the San Mateo County Government, with additional funding anticipated through two separate grants from the Department of Energy (DOE). Recently, the major merchant gas company with which Hythane Company is working on this project, received grant funding for its hydrogen fueling station adjacent to the Hythane® station. This award is a significant boost to the Hythane® project as it makes low-cost hydrogen readily available at the site

2 *Dual Fuel Kits in US*

Hythane Company has received strong interest in the OptiBlend® Dual Fuel Kit from a range of industries and has submitted a number of tenders / quotes. The OptiBlend® Kit, which is the same as that currently being introduced into India, allows the conversion of a diesel generator to run on up to 70% natural gas. In addition to being a less expensive fuel, natural gas provides dramatic emission reductions over diesel fuel.

Noting the advantages of the OptiBlend® over other commercially available kits, many US dealers are now actively marketing the kit.

In late 2009, Hythane Company received its first US order for an OptiBlend® kit to be used as the US demonstration project and the installation was completed in December 2009. It is still awaiting installation of a new catalyst system after which EPA certification of the emissions reductions can be completed which will provide support for future marketing. Negotiations are underway with a large number of potential customers and distributors for this product.

ENERGY PROJECTS

UK Coal bed Methane, Conventional Natural Gas and Shale Gas Project

During the quarter, Centrica, the major UK gas company that acquired 90% of Eden's interest in the coal bed methane in four of its 18 licences and which is meeting all the costs of the next £500,000 of expenses, completed their review of all past work in the area and submitted a proposed budget and program which includes the drilling and testing of two joint ventures well sites in 2011. Discussion on this budget is continuing. Centrica has advised that it has expended the £500,000 and this is being reviewed at present. In this proposed program site preparation works are to start in late 2010 or early 2011 to enable spud in the first half of 2011. Testing will necessarily overlap into 2012. It is currently planned to drill 2 wells at each well-site, but other options have also been proposed.

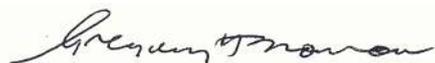
The total area over which the joint venture holds exploration licences is approximately 500,000 acres. Work is also progressing on the 14 other exploration licences in which Eden holds a 50% interest in Wales, Kent and Bristol/Somerset and which are all considered prospective for coal bed methane, conventional natural gas and also shale gas.

Discussions have also continued with our joint venture partner Coastal Oil & Gas (“Coastal”) with a view to possibly establishing a joint company as a highly resourced UK-based gas producer and these discussions resulted in a non-binding term sheet being signed. It is anticipated that the proposed joint company will in due course proceed to a public listing.

Australian Natural Gas and Geothermal Projects

During the quarter Eden managed to secure a voluntary suspension on its work commitments on all of its geothermal licences, except for GEL 185 in which Origin Energy is farming-in. This has given Eden time to find a suitable partner / cornerstone investor to progress this project. No activity occurred on Eden’s South Australian Natural Gas Play.

Since the end of the quarter, Eden has secured the sale of its remaining 30% interest in GEL 185 to Origin Energy for a further \$700,000.



Gregory H Solomon

Executive Chairman

About Eden Energy Limited

Eden Energy Ltd is a diversified clean energy company that listed on the Australian Securities Exchange in June 2006. Eden has interests in hydrogen, storage & transport fuel systems, including the low emission Hythane hydrogen-methane blend, coal seam & abandoned mine methane in the UK, conventional gas in SA, low temperature pyrolysis research into hydrogen production and geothermal energy production.

All these aspects of Eden's business are part of an integrated strategy to become a major global participant in the alternate energy market, particularly focussing on the clean energy transport market, producing hydrogen without any carbon emissions, transporting the hydrogen to markets & providing the engines to power hydrogen-based transport & energy solutions.

For further information please contact Greg Solomon (+61 8 9282 5889) or visit our website (www.edenenergy.com.au).

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Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

EDEN ENERGY LTD

ABN

58 109 200 900

Quarter ended ("current quarter")

30 September 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to September (3 months) \$A'000
1.1 Receipts from product sales and related debtors	7	7
1.2 Payments for (a) exploration & evaluation	(100)	(100)
(b) development	-	-
(c) production	-	-
(d) administration	(298)	(298)
(e) other (see note below)	(551)	(551)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	8	8
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (see note below)	212	212
Net Operating Cash Flows	(722)	(722)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(5)	(5)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	200	200
(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	195	195
1.13 Total operating and investing cash flows (carried forward)	(527)	(527)

Notes

1.2e Other - mainly relates to payments to suppliers and employees by Eden's wholly owned subsidiaries; Eden Energy India Pvt Ltd and Hythane Co LLC which are trading companies and these payments mainly consist of payments for cost of goods sold, research & development, inventory and overheads.

1.7 - Mainly relates to R&D Tax Rebates received by the company

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Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(527)	(527)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	1,296	1,296
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 (provide details if material)	-	-
	Net financing cash flows	1,296	1,296
	Net increase (decrease) in cash held	769	769
1.20	Cash at beginning of quarter/year to date	1,046	1,046
1.21	Exchange rate adjustments to item 1.20	(40)	(40)
1.22	Cash at end of quarter	1,775	1,775

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	148
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Management Fees, as per agreement, were paid during the quarter to a company of which Mr GH Solomon and Mr DH Solomon are directors.
 Directors Fees paid during the period.
 Reimbursement of bona-fide expenses.
 Legal Fees were paid during the quarter to a firm of which Mr GH Solomon and Mr DH Solomon are partners.

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

Eden completed the acquisition of the 50% interest held by the University of Queensland ("UQ") in the Pyrolysis / Gas to Liquids project by Eden issuing 3.75 million fully paid ordinary shares (escrowed for 24 months) to interests associated with UQ

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

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Financing facilities available

	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	100
4.2 Development	-
4.3 Production	-
4.4 Administration	200
4.5 Other (see note below)	450
Total	750

Notes

4.5 Other - mainly relates to payments to suppliers and employees by Eden's wholly owned subsidiaries; Eden Energy India Pvt Ltd and Hythane Co LLC which are trading companies and these payments mainly consist of payments for cost of goods sold, research & development, inventory and overheads.

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	1,775	1,046
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,775	1,046

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	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			

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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	187,289,654	187,289,654		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	3,750,000	3,750,000	6.3 cents	6.3 cents
7.5 +Convertible debt securities <i>(description)</i>	NOT APPLICABLE			
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	50,000 1,425,000 1,227,000 886,764 5,000,000 500,000 310,000 4,000,000 310,000 500,000	NIL NIL NIL NIL NIL NIL NIL NIL NIL NIL	<i>Exercise price</i> 31 cents 68.5 cents 45 cents 20 cents 10 cents 58.5 cents 20 cents 10.625 cents 20 cents 38.5 cents	<i>Expiry date</i> 15 March 2011 15 May 2011 30 June 2011 30 Nov 2011 31 Dec 2011 5 April 2012 14 May 2012 20 Nov 2012 14 May 2013 26 May 2013
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>	NOT APPLICABLE			
7.12 Unsecured notes <i>(totals only)</i>	NOT APPLICABLE			

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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:


(Company secretary)

Date: 27 October 2010

Print name: Aaron Gates

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

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