



**Eden Energy Ltd**  
**(ABN 58 109 200 900)**

**and Controlled Entities**

**Interim Financial Report**  
**for the**  
**Half-Year Ended 31 December 2011**



**CONTENTS**

<b>Highlights</b>	<b>3</b>
<b>Corporate Directory</b>	<b>4</b>
<b>Review of Operations</b>	<b>5</b>
<b>Directors' Report</b>	<b>11</b>
<b>Auditors' Independence Declaration</b>	<b>12</b>
<b>Consolidated Statement of Comprehensive Income</b>	<b>13</b>
<b>Consolidated Statement of Financial Position</b>	<b>14</b>
<b>Consolidated Statement of Changes in Equity</b>	<b>15</b>
<b>Consolidated Statement of Cash Flows</b>	<b>16</b>
<b>Notes to the Financial Statements</b>	<b>17</b>
<b>Director's Declaration</b>	<b>21</b>
<b>Independent Auditor's Review Report</b>	<b>22</b>

## **HIGHLIGHTS**

### **Pyrolysis Project - Carbon Nanotubes/ Carbon Fibres/ Hydrogen**

- First Carbon Nanotubes Production from Commercial Scale Reactor
- High-quality multi wall carbon nanotubes produced
- New method developed to help disperse carbon nanotubes and carbon fibres in mortar
- Further encouraging preliminary test results of carbon nanotubes mixed with certain cement formulations showing increases in both compressive strength and flexural strength of up to 20%.
- Further testing of nano-carbon enriched mortar/concrete mixtures is underway.

### **Optiblend® Dual Fuel Project**

- Released Next-Generation OptiBlend® kit offering aesthetic and maintenance improvements that will benefit both Hythane and its end users
- Sales interest in India and USA is increasing
- Validation testing commence on the OptiBlend© system for commercial use with both hydrogen-rich renewable biogas and syngas fuel feedstocks

### **Dedicated Syngas Generator Sets**

- Hythane Co commenced development of a new dedicated hydrogen / syngas genset control system that will target the range from 200kw to 2,000kw.

### **Hythane®**

- Negotiations are continuing for Indian Hythane bus projects with both GAIL and GSPC Gas.

### **UK Gas Assets**

- Eden purchased the 45% interest (out of Eden's original 50% farm in interest) in the Coal Bed Methane ("CBM") and Abandoned Mine Methane ("AMM") in the Westphalian Measures in South Wales on Petroleum Exploration and Development Licences ("PEDL") 100, 148, 149 and 218, plus 100% of three other PEDLs for £250,000.
- Eden is seeking cornerstone investors for a proposed spin-out of its significant UK gas assets

### **Corporate**

- Eden completed a share placement to sophisticated and professional investors raising A\$0.39 million.
- Eden completed a non-renounceable, pro-rata rights issue raising, A\$1.66 million.
- Eden entered in a funding agreement pursuant to which the Company has agreed to issue, up to 3 convertible notes (Notes), each with an issue price (or face value) of US \$1,000,000.
- The claim made against Eden by Omni Laboratories Inc ("Omni") and Eden's counterclaim was settled.



## **CORPORATE DIRECTORY**

### **DIRECTORS:**

Gregory H Solomon **LLB** (Executive Chairman)  
Douglas H Solomon **BJuris LLB (Hons)** (Non-Executive)  
Guy T Le Page **BA, BSc (Hons), MBA, FINSIA, MAusIMM** (Non-Executive)  
Richard J Beresford **FAICD FAIE** (Non-Executive)

### **COMPANY SECRETARY:**

Aaron P Gates **B.Com, CA, ACIS**

### **REGISTERED OFFICE:**

Level 40, Exchange Plaza  
2 The Esplanade  
Perth  
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Website: [www.edenenergy.com.au](http://www.edenenergy.com.au)

### **SOLICITORS:**

Solomon Brothers  
Level 40, Exchange Plaza  
2 The Esplanade  
Perth WA 6000

Minter Ellison  
1 King William Street  
Adelaide SA 5000

### **AUDITORS:**

Grant Thornton Audit Pty Ltd  
Chartered Accountants  
Level 1  
10 Kings Park Road  
West Perth WA 6005

### **SHARE REGISTRY:**

Advance Share Registry Services  
150 Stirling Highway  
Nedlands WA 6009

### **STOCK EXCHANGE LISTING:**

ASX Code: EDE (ordinary shares)

Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Stock Exchange Limited.

## **REVIEW OF OPERATIONS**

### **PYROLYSIS PROJECT (EDEN 100%)**

#### ***Full Scale Commercial Production of High Quality Nano-Carbon Targeted for 2012***

During the period, Hythane Company, Eden's wholly owned US subsidiary, developed a process to produce higher quality nano-carbon products in its reactor and is currently working to convert this capability to a large scale and repeatable process.

Additionally, with the first two prototype commercial scale production units having been installed and successfully trialled at Hythane Company, Eden is now able to undertake the development of a full scale commercial production unit to produce high quality nano-carbon products (carbon nanotubes (CNT) or carbon nanofibres (CNF)) and hydrogen. This further scale-up will be subject to Eden being able to find suitable bulk markets for the quantity of carbon that it will be able to produce.

After commencement, this further development will be likely to take in the order of 6-9 months, after which time it is hoped to be able to commence the commercial deployment of these units.

#### ***Market progress***

Initial progress has been made in establishing suitable markets for the carbon products. Eden's objective is to develop bulk scale markets that can utilise the very large quantities of the nano-carbon products that Eden anticipates that it will be able to produce. Eden's efforts are presently primarily focussed on exploring and developing uses of the carbon as additives in concrete, plastics and other composite materials and in rubber. In each case the objective will be aimed at exploiting the enhanced mechanical properties, and/or electrical or thermal conductivity that the carbon nanotubes or nanofibres can deliver. The primary difficulty in each case is being able to achieve a uniform dispersion of the carbon throughout the host material.

#### ***Concrete – New Dispersion Technique***

Eden achieved encouraging preliminary results in US trials, with the addition of small quantities of CNT or CNF increasing compressive strength by up to 19% without affecting the flexural strength of the concrete. This initial potential improvement in compressive strength would be relevant to all grades of concrete. Subsequent tests also produced increases of up to 20% in the flexural strength in certain cement mixes suitable for ultra-high strength concrete.

Hythane Company has been able to refine its techniques to evenly disperse the carbon and has developed a technique which significantly enhances the even dispersion of carbon nano-materials in concrete and/or mortar composites.

Sufficiently dispersed carbon nanofibres (CNF) and carbon nanotubes (CNT) have been shown in various published studies to be highly beneficial when added to concrete/mortar. Nano-carbon can increase various orientations of concrete strength by bridging the gaps across micro-cracks which occur from initial set of cement. These micro-cracks gradually grow to form much larger macro-cracks, which expose reinforcement and allow severe damage to the integrity of a structure or structural member.

Even and adequate dispersion of the carbon nano-materials is difficult. The Vander Waals forces holding the fibres/tubes together are incredibly strong, requiring a form of mechanical disturbance to achieve dispersion. Further investigation into the method of dispersing the nano-carbon has yielded an improved technique, which is anticipated, will help to significantly increase strength when incorporated into the mixing methodology of concrete and/or mortar.

The recent flexural strength results for one promising high strength mortar mix with added CNT are shown below in Figure 1.

Eden is highly encouraged by these preliminary results and is continuing with this nano-carbon enriched concrete/mortar development and testing programme. If this further work produces repeatable results, it is anticipated they significantly extend the market potential of Eden's nano-carbon carbon products as an additive to concrete/mortar relevant to specific applications such as:

High strength concrete used in the construction of bridges, flyovers and high rise buildings, and

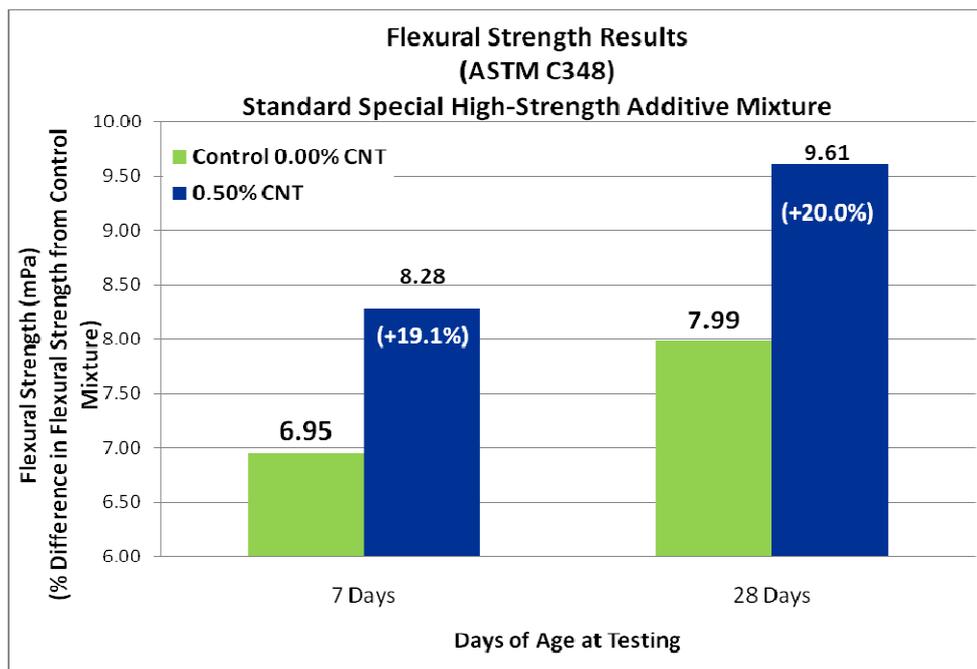
Ultra-hard concrete for use in high impact applications.

Further results from this on-going test work are expected during the March 2012 quarter.

Additionally, both a major international concrete company and an Australian university are also testing Eden's CNF and MWCNT in concrete applications.

Several leading Indian concrete manufacturers have also expressed preliminary interest in testing the Company's nanocarbon products as an additive to concrete which is hoped in due course to open up a significant opportunity for Eden's nano-carbon products in the enormous Indian concrete market.

**REVIEW OF OPERATIONS**



**Figure 1**

**Plastics and Epoxies**

Eden in conjunction with several commercial operators has continued to test the effects of compounding Eden’s CNT and CNF with various forms of plastics and epoxy materials (epoxy resin, polyester resin, etc) with a view to testing the effect of the addition of CNT and CNF to plastic on the strength, electrical and thermal conductivity of plastic. This work produced highly encouraging preliminary encouraging results.

Eden was able to achieve a volume resistivity in these materials of approximately  $10^5$  to  $10^7$  Ohm\*m, which puts these materials well within the range of use for electrostatic discharge (ESD) applications. This opens up growing markets for the compound such as for use as a coating on a range of electrical products and components.

Eden is now working on methods to optimise the compounding and dispersion process, as well as the carbon loading amount, to maximise electrical conductivity of these normally insulating materials while maintaining the physical properties as closely as possible to that of the neat resins.

Several companies are trialling Eden's carbon products in plastics, epoxies and coatings for various applications.

Subject to being able to achieve similar results on a repeatable basis, Eden anticipates a significant market potential for its nano-carbon products for these applications.

**Batteries and Electrical Applications**

Further preliminary test work is being carried out by a number of companies for use of Eden’s nano-carbon in batteries and other electrical applications.

The nanomaterials provide increased capacity for charge and increased power output for the batteries. Battery companies are reporting substantial benefits using the Eden nanomaterials.

**Rubber**

During the six months, the Company arranged for the external testing of the effect that the substitution of CNT and CNF for carbon black in rubber, will have on the tensile strength and strain density of the rubber (and its potential to result in lighter, longer life tyres). Carbon black, or amorphous carbon, comprises up to 33% of the weight of rubber tyres and adds strength and aids in the dissipation of heat. CNT and CNF were anticipated to increase the durability of the rubber, increase the heat dissipation and at the same time significantly reduce the weight of the tyres.

The preliminary test results, however, were not encouraging and the mixing and dispersion techniques that were used are now being reviewed.

## **REVIEW OF OPERATIONS**

### **Summary**

Eden is well on the way to completing the development of an efficient, commercially competitive production process that should enable Eden to produce significant quantities of high quality nano-carbon when suitable commercial applications are identified and to participate in a rapidly growing global nano-carbon market.

Additionally, the only other major by-product from Eden's pyrolysis process is hydrogen, the real cost of which will be dependent upon the value of the carbon produced. The quantity of hydrogen produced will be 33.33% (by weight) of the quantity of carbon produced.

This hydrogen can be either captured and fed into the various hydrogen/Hythane® applications that Eden has been developing around the world, with the intention of accelerating the commercial rollout of these downstream hydrogen applications based on the prospect of relatively low cost hydrogen, or else it can be used to help fuel the pyrolysis reactor.

The current cost of hydrogen is one of the major limiting factors holding back a broader rollout of hydrogen and Hythane® technology. Of further interest, the hydrogen produced using the Eden pyrolysis process will generate only a relatively very small amount of greenhouse gas as a by-product of the production process compared with most other currently available methods of hydrogen production, and in consequence it is projected that the hydrogen will be both commercially competitive and environmentally preferable.

### **Pyrolysis Background**

Through the pyrolysis process, developed by Eden with the University of Queensland (UQ) and which Eden now owns 100%, methane (natural gas) is broken down into its constituents of hydrogen gas and carbon, without the production of carbon dioxide. The carbon is produced as a solid as either carbon nanofibres or carbon nanotubes that each are many times stronger, in certain applications, than steel, whilst each also has a great capacity to conduct both electricity and heat.

The new process:

- Appears, from information available, to be relatively efficient when compared with other methods of production of carbon nanotubes and fibres, requiring only a relatively low level of energy and lower cost capital equipment compared with most other published methods;
- employs relatively low cost catalysts (no precious metals are used in the catalysts);
- has a low carbon footprint; and
- produces only hydrogen together with either carbon nanotubes or solid carbon fibres from natural gas, opening up the possibility of:
  - i. reasonably low-cost, super strong, highly conductive, ultra-light carbon nanotubes/fibres with possible application in carbon composite materials for industries such as the automobile industry and as carbon-enriched concrete suitable the construction industry;
  - ii. use in batteries and electrical storage; and
  - iii. low-cost hydrogen production without the production of carbon dioxide as a by-product that could help facilitate the more rapid spread of both hydrogen as a vehicle fuel and also Eden's Hythane® technology as an ultra-clean, highly efficient premium blend of hydrogen and natural gas that it is marketing in India and USA.

If successful on a commercial scale, the process could have important implications for the widespread commercialisation of these forms of carbon whilst also producing relatively low cost hydrogen with an extremely low carbon footprint as the only by-product.

### **OPTIBLEND® DUAL FUEL TECHNOLOGY (EDEN 100%)**

#### **First large US Optiblend Order Anticipated**

Hythane Company, following a highly successful demonstration of the Optiblend system at the Hythane Company's premises in Colorado, was advised in December 2011, by an international drilling company, that operates a large fleet of drill rigs in a number of counties including Australia, that Hythane Company should receive an initial order for 12 OptiBlend® dual fuel units for use in land-based drilling operations, particularly in the oil and gas industry and including the large US shale gas market.

Hythane Company satisfied the required vendor qualification process but to date the order has not yet been received, as a result of the emerging slowdown in the US shale gas drilling market, which has resulted from a great increase in the available supply of US shale gas and a corresponding decrease in the price of the gas.

Although the drilling market has temporarily slowed, Eden believes that there remains a good probability that a number of sales into this market will occur. A typical drilling rig has 4 engines, and therefore requires 4 OptiBlend® units per drilling rig. Given the thousands of operational and yet-to-be-deployed rigs, this remains a very attractive market.

## **REVIEW OF OPERATIONS**

### ***Other US Optiblend® Sales***

During the six months, two units were installed and invoiced. Representatives supporting various engine manufacturers have quoted numerous Optiblend® kits and have received a growing number of encouraging enquiries for the kit. Sales representatives have been appointed in most US states, and also in several South American countries.

### ***Indian Optiblend® Sales***

During the period, Eden sold a further three Optiblend® kits in India, commissioned a further two from previous orders.

Quotes have been provided to many other potential customers in various cities across northern and western India. The sales price of an installed OptiBlend® kit varies according to the configuration of the engine, but is often in the range of US\$25,000 - \$40,000.

Eden Energy India has now found suitable Indian manufacturers for many of the dual fuel kit components, which will help reduce the cost of the production of future units.

The major limiting factors in India for OptiBlend® are the limited availability of natural gas in many parts of India due to both a limited gas grid and also limited supply, and also the increasing price of natural gas, compared to the price of diesel fuel that is Government regulated and heavily subsidised in the Indian market. However, as the natural gas production from existing fields and future fields grows and the rapidly expanding gas grid spreads across the country, these problems are expected to progressively reduce, opening up a potentially very significant market throughout much of India.

### ***Optiblend® Background***

Eden has completed the development of an 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, available 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.

### **SYNGAS GENERATOR SETS (EDEN 100%)**

Following requests from major potential US customers, Eden Energy's US subsidiary, Hythane Company, has begun development of a spark-ignited engine conversion system to allow operation on hydrogen-rich renewable biogas.

Many sources of biogas can contain large percentages of methane and hydrogen, along with inert components like nitrogen or carbon dioxide, and these gaseous fuel blends generally allow operation in conventional spark-ignited engine generator sets (gensets) intended for natural gas fuel, with a few simple modifications. However, new gasification equipment technology developed for cellulosic or wood-based biomass has the capability to produce a syngas composition with over 60% hydrogen. Syngas can also be produced from fossil fuels.

This syngas fuel requires careful, precise fuel handling and control, with control strategies and systems similar to dedicated pure-hydrogen engines. Extensive knowledge and experience with hydrogen-fuelled internal combustion engines makes Hythane Company uniquely qualified to develop and market these engine conversion systems for large stationary generator sets used for distributed electrical systems or combined heat and power (CHP) production.

Large volumes of mixed syngas and air must be avoided in the engine intake system with such a large hydrogen concentration in the syngas fuel, because hydrogen has a very wide flammability range and low ignition energy, making pre-ignition and intake backfires a significant risk. The possibility of abnormal engine operation, or even mechanical damage, precludes the use of conventional air mixer/carburetion systems on most large industrial natural gas engines. Over the years, Hythane Company and its predecessor, Hydrogen Components, Inc., have developed fuel systems for many internal combustion engine projects, and this in-depth understanding of hydrogen engine combustion and control was patented in June 2010.

Hydrogen engine projects from the early 1990s to present include a 1.5L Honda engine for an unmanned Navy submersible, four 2.5L Ford Ranger pickups (one turbocharged, three supercharged) for Xerox in California, a 70kW generator set in a Bluebird hybrid electric bus for the 1996 Olympics in Atlanta, six 2.3L Mercedes Sprinter vans in Germany, and two 125kW Cummins genset engines in 2002. The new dedicated hydrogen/syngas genset control system under development will target the range from 200kW to 2,000kW.

## **REVIEW OF OPERATIONS**

### **HYTHANE® (EDEN 100%)**

#### ***Mumbai and Gujarat Hythane® Bus Demonstration Projects***

During the six months, discussions took place in relation to the Mumbai project with GAIL and MGL, Eden's proposed joint venture partners, and as a result it is now anticipated that this planned demonstration project may be moved from Mumbai to Delhi.

If so, it would involve essentially the same concept as was proposed for Mumbai with Eden establishing a Hythane® refuelling station at a suitable bus depot to fuel buses. The exact scope of the project will be reviewed and if it proceeds, is anticipated to possibly involve firstly a two bus trial of Hythane® fuel, with the initial hydrogen planned to be supplied from bottled hydrogen, followed by a second stage, of possibly up to 10 buses, with the hydrogen planned to be supplied by Eden from one of its new pyrolysis reformers. This reformer is planned to be installed on site, and will produce both the required hydrogen and also carbon products that Eden hopes to sell into the Indian market.

If commercial scale hydrogen production, using Eden's new pyrolysis process is available, it may well increase the chances of developing a large Hythane® market in India where the hydrogen is effectively produced as a by-product to the production of higher value carbon fibres and nanotubes, underpinned by a very low carbon footprint.

Discussions also took place during the quarter with GSPC Gas in relation to the second proposed Indian Hythane® bus demonstration project in Gujarat (which will be similar in scale and timetable to the proposed Delhi demonstration detailed above) and these talks have re-invigorated this project which had slowed down considerably, and it is now hoped to be operational sometime during 2012.

Whilst progress on these Indian Hythane® projects remain very slow, there are definite signs of increased level of interest from the Indian Government to proceed with its proposed HCNG programme, and Eden remains hopeful that these projects will proceed during the next 6-12 months.

#### ***Background - Hythane® 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 fuelled 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.

During the past two years, various vehicle manufacturers, with funding from the national Indian Ministry of New and Renewable Energy ("MNRE") and assistance from the Society of Indian Automobile Manufacturers ("SIAM") and IOC, have developed the following seven types of vehicles to run on HCNG fuel:

- two different models of three-wheel auto rickshaws;
- one SUV;
- one passenger car; and
- three different models of mini-buses.

The MNRE is now funding an extended field trial of these seven HCNG vehicles in Delhi, with refuelling at either the Dwarka public Hythane station or at IOC's research and design facility near Delhi. SIAM will also participate by testing at regular intervals, the vehicles' emissions and efficiency.

This field trial will add significant national momentum to the overall Indian HCNG programme and Eden is encouraged that its considerable efforts to date to develop Hythane® fuelled buses and to build HCNG refuelling stations will be rewarded in due course as a significant Hythane® vehicle market develops in India. This will see the supply of natural gas spread from the 30 cities where it is currently available, to the more than 300 cities over the next 5-10 years.

As part of this development, Eden plans to promote its pyrolysis technology, by which hydrogen and CNT and CNF are produced from natural gas, as a cost effective means to produce the hydrogen necessary for the rollout of HCNG.

#### ***San Francisco International Airport (SFO)***

During the six months, negotiations on lease agreements for the site were unsuccessful in reaching reasonable lease terms, with the terms offered being far more onerous than some of those being applied to other similar lessees in the area. As a result, this project has now been terminated by Eden.

### **UK GAS PROJECT (EDEN 100%)**

During the half year, Eden purchased for £250,000 the 45% interest (out of Eden's original 50% farm in interest) in the Coal Bed Methane ("CBM") and Abandoned Mine Methane ("AMM") in the Westphalian Measures in South Wales on Petroleum Exploration and Development Licences ("PEDL") 100, 148, 149 and 218, which it sold in 2009, plus 100% of three other PEDLs. Eden also completed the last of its farm-in obligations.

Following the above, Eden now holds a 50% interest in 17 PEDLs in South Wales, Bristol/Somerset and Kent and a 100% interest in 3 other licences, covering a total area of more than 2,100 square kilometres (approximately 510,000 acres) and taking in very large portions of the coal fields and surrounding basins in these three areas of the UK.

## **REVIEW OF OPERATIONS**

Eden plans to spin-out its UK energy assets into a separate self-funded company when market conditions are suitable, and is presently seeking cornerstone investors. Discussions occurred with a number of parties related to this, to date no definite timetable or terms of such a spin-out have been resolved.

As with the US shale gas market, the UK shale gas market is currently being reviewed by the UK government. Whilst Eden has two fully permitted drill sites in South Wales on licences in which Eden holds 100% and at which it can drill and core for both coal seam gas and shale gas potential, it is unlikely that any hydraulic fracturing or other stimulation will be permitted until the governmental review is complete and any necessary regulations put in place. However, the drilling and coring would help to significantly firm up the potential gas in place on the Eden licences.

### **UK Shale Gas**

An independent expert, RPS, has reported the **Unrisked (P90) Resource Volumes of Shale Gas** in the Numurian Measures on 7 Petroleum Exploration and Development Licences (PEDLs) in South Wales in which Eden holds a 50% interest (covering a prospective area of 806 square kilometres) are:

- Volume of Gas Initially in Place (GIIP) – **34.198 TCF** (Eden's share **-17.099 TCF**)
- Recoverable Volume – **12.799 TCF** of gas (Eden's share – **6.349 TCF**)

### **UK Coal Seam Methane**

Independent expert, RISC, reports that estimated **Gross Contingent Resources of Coal Seam Methane** contained in the 10 PEDLs in South Wales (covering a prospective area of 247 square kilometres) in which Eden holds an interest, are:

- **A 1C to 3C range of 687-1,363 BCF with a 2C estimate of 980 BCF**

RISC reports that the estimated **Gross Unrisked Prospective Resource of Coal Seam Methane** contained in the 17 PEDLs in South Wales, Kent and Bristol Somerset (covering a prospective area of 1068 square kilometres) in which Eden holds an interest is a low to high estimate of **1,903-4,990 BCF** with a best estimate of **3,088 BCF**. RISC compiled these resource estimates based on the SPE PRMS definitions and guidelines.

Eden's calculation of its share, based on percentage interests in each PEDL, in the total Coal Seam Methane resources detailed in the RISC report is:

- Gross Contingent Resource, with a 2C estimate - **332 BCF**
- Gross Unrisked Prospective Resource - low to high estimate of **848-2,271 BCF** with a best estimate of **1,382 BCF**

These shale gas and coal seam methane resource numbers do not include any similar potential gas resources on any of Eden's other licences in South Wales, Bristol/Somerset or Kent.

## **AUSTRALIAN NATURAL GAS AND GEOTHERMAL PROJECTS (EDEN 100%)**

There was no activity undertaken during the quarter on Eden's South Australian geothermal or gas project. Work on these projects was suspended last year until a more positive environment for geothermal energy emerged. Subsequently Eden has decided to relinquish the geothermal exploration licences that it holds in South Australia unless interest arises.

## **CORPORATE**

During the period, Eden completed a partially underwritten, pro-rata, non-renounceable rights issue that raised \$1.66 million and a share placement to sophisticated and professional investors raising A\$0.39 million.

In addition, Eden and La Jolla Cove Investors Inc. ("La Jolla"), a US-based private investment company, entered into the Eden Energy Funding Agreement pursuant to which the Company has agreed to issue, and La Jolla has agreed to acquire, up to 3 convertible notes ("Notes"), each with an issue price of US \$1 million. Interest is payable on the principal amount actually advanced by La Jolla under a Note at the rate of 4.75% per annum. The purpose of this facility is to provide a flexible backstop funding agreement to the Company which can be used as required to supplement the funds raised under the pro-rata Non-renounceable Rights Issue.

Eden's proceedings against Engenco Ltd are continuing for the recovery of the balance of the monies owed (A\$0.9 million plus interest) in relation to the sale of HyRadix, Eden Cryogenics and CTS that occurred in 2009. The Directors remain confident the proceedings will be successful.

A claim made against Eden by Omni Laboratories Inc., the company that carried out permeability and desorption testing for Eden in 2007-8 in the UK, for the unpaid portion of its bill for this testing plus costs, and Eden's counterclaim were settled during the quarter for payment by Eden of US\$1.2 million. Even though Eden's lawyers had advised that Eden had good prospects of success, if the case had gone to trial Eden faced the risk if it did lose, of paying legal costs that far exceeded the total amount of the claim. Accordingly Eden agreed to the settlement of the US\$1.2 million, US\$0.5 million of which was paid in October and the balance of US\$0.7 million was paid in December. The directors had provided \$1.5 million in Eden's 30 June 2011 accounts in relation to this matter.

## **DIRECTORS' REPORT**

Your directors submit the financial report of the consolidated group for the half-year ended 31 December 2011.

### **Directors**

The names of directors who held office during or since the end of the half-year:

Mr Gregory H Solomon  
Mr Douglas H Solomon  
Mr Guy T Le Page  
Richard J Beresford

### **Review of Operations**

The net loss after income tax for the half year was \$1,412,759 (2010: \$5,248,577).

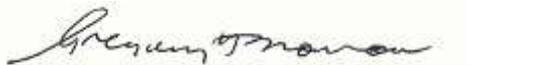
A review of the operations of the Group during the half-year ended 31 December 2011 is set out in the Review of Operations on Page 5.

### **Auditor's Declaration**

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 12 for the half-year ended 31 December 2011.

This report is signed in accordance with a resolution of the Board of Directors.

Director



---

Gregory H Solomon

Dated this 15<sup>th</sup> day of March 2012

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**Auditor's Independence Declaration  
To The Directors of Eden Energy Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Eden Energy Limited for the half-year ended 31 December 2011, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



P W Warr  
Partner – Audit & Assurance

Perth, 15 March 2012

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

	Note	Consolidated Group	
		31 Dec 2011	31 Dec 2010
		\$	\$
Revenue		79,609	82,675
Other income		123,830	239,088
Raw materials and consumables used		(21,138)	(47,124)
Accounting and audit expense		(47,275)	(46,713)
Advertising and marketing expense		(3,416)	(2,019)
Depreciation and amortisation expense		(32,985)	(26,449)
Employee benefits expense		(635,992)	(672,501)
Finance costs		(70,478)	(37)
Foreign exchange gain/(loss)		7,953	(4,983)
Gain on sale of non-current assets		-	620,106
Impairment expense	2	(27,404)	(4,792,187)
Legal and other consultants expense		(255,960)	(262,376)
Research and development expenditure		(21,500)	(44,250)
Rent expense		(40,998)	(51,056)
Travel and accommodation expense		(57,319)	(98,335)
Settlement of provision	3	(266,847)	-
Other expenses		(142,839)	(142,416)
Loss before income tax		(1,412,759)	(5,248,577)
Income tax expense		-	-
Loss for the period		(1,412,759)	(5,248,577)
<b>Other Comprehensive Income</b>			
Exchanges differences on translating foreign operations		20,329	(255,464)
Income tax relating to other comprehensive income		-	-
Total other comprehensive income, after tax			(255,464)
<b>Total Comprehensive Income / (Loss)</b>		(1,392,430)	(5,504,041)
Basic/Diluted earnings per share (cents per share)		(0.5698)	(4.1813)

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2011**

	Note	Consolidated Group	
		31 Dec 2011	30 Jun 2011
		\$	\$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		313,894	2,024,427
Trade and other receivables		936,039	793,470
Inventories		483,620	348,259
Other current assets		140,078	60,334
<b>TOTAL CURRENT ASSETS</b>		<b>1,873,631</b>	<b>3,226,490</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables		100,500	100,500
Financial assets	5	-	1,278,562
Property, plant and equipment		129,040	90,967
Intangible assets	7	5,614,253	5,441,027
Exploration and evaluation	6	2,288,138	101,818
<b>TOTAL NON-CURRENT ASSETS</b>		<b>8,131,931</b>	<b>7,012,874</b>
<b>TOTAL ASSETS</b>		<b>10,005,562</b>	<b>10,239,364</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		752,923	618,672
Interest bearing liabilities	9	491,350	-
Provisions	3	60,327	1,575,173
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,304,600</b>	<b>2,193,845</b>
<b>TOTAL LIABILITIES</b>		<b>1,304,600</b>	<b>2,193,845</b>
<b>NET ASSETS</b>		<b>8,700,962</b>	<b>8,045,519</b>
<b>EQUITY</b>			
Issued capital	10	48,683,361	46,635,488
Reserves		1,749,763	1,729,434
Accumulated losses		(41,732,162)	(40,319,403)
<b>TOTAL EQUITY</b>		<b>8,700,962</b>	<b>8,045,519</b>

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

	<b>Share Capital</b>		<b>Foreign Currency Translation Reserve</b>	<b>Accumulated Losses</b>	<b>Total</b>
	<b>Ordinary</b>	<b>Option Reserve</b>			
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance at 1 July 2010</b>	42,345,754	2,035,781	21,017	(31,797,899)	12,604,653
Shares issued during the period	1,501,553	-	-	-	1,501,553
Total other comprehensive income	-	-	(255,464)	(5,248,577)	(5,504,041)
Subtotal	43,847,307	2,035,781	(234,447)	(37,046,476)	8,602,165
Dividends paid or provided for	-	-	-	-	-
<b>Balance at 31 December 2010</b>	<b>43,847,307</b>	<b>2,035,781</b>	<b>(234,447)</b>	<b>(37,046,476)</b>	<b>8,602,165</b>
<b>Balance at 1 July 2011</b>	46,635,488	2,035,781	(306,347)	(40,319,403)	8,045,519
Shares issued during the period	2,047,873	-	-	-	
Total other comprehensive income	-	-	20,329	(1,412,759)	(1,392,430)
Subtotal	48,683,361	2,035,781	(286,018)	(41,732,162)	8,700,962
Dividends paid or provided for	-	-	-	-	-
<b>Balance at 31 December 2011</b>	<b>48,683,361</b>	<b>2,035,781</b>	<b>(286,018)</b>	<b>(41,732,162)</b>	<b>8,700,962</b>

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

	Note	Consolidated Group	
		31 Dec 2011	31 Dec 2010
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		37,428	24,763
Payments to suppliers and employees		(1,323,514)	(1,531,071)
Interest received		17,927	25,327
Other receipts		105,419	212,000
Net cash provided by (used in) operating activities		<u>(1,162,740)</u>	<u>(1,268,981)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Exploration expenditure		(278,972)	(169,801)
Payment for development of intangibles		(173,226)	(220,839)
Purchase of property, plant and equipment		(448,807)	(5,782)
Purchase of exploration interests		(383,175)	-
Settlement of provision		(1,721,901)	-
Proceeds from sale of exploration interest		-	700,000
Proceeds from sale of subsidiaries		-	200,000
Net cash provided by (used in) investing activities		<u>(3,006,081)</u>	<u>503,578</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from shares issued		1,981,922	1,275,553
Proceeds from convertible notes issued		499,094	-
Net cash provided by (used in) financing activities		<u>2,481,016</u>	<u>1,275,553</u>
Net increase/(decrease) in cash held		(1,687,805)	510,150
Net increase/(decrease due to foreign exchange movements)		(22,728)	(56,648)
Cash at beginning of period		2,024,427	1,050,288
Cash at end of period		<u>313,894</u>	<u>1,503,790</u>

The accompanying notes form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

**NOTE 1: BASIS OF PREPARATION**

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2011 and any public announcements made by Eden Energy Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*. The half-year report does not include full disclosures of the type normally included in an annual financial report.

*a) Going Concern*

These financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities the realisation of assets and extinguishment of liabilities in the ordinary course of business.

The Group has reported a net loss for the period of \$1,412,759 and a cash outflow from operating activities of \$1,162,740.

The directors are confident that the Group, subject to being able to raise further capital, will be able to continue its operations as a going concern. Without such capital, the net loss for the period and the cash outflow from operating activities indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The directors also carefully manage discretionary expenditure in line with the Group's cash flow.

The continuing applicability of the going concern basis of accounting is dependent upon the Group's ability to source additional finance. Unless additional finance is received the Group may need to realise assets and settle liabilities other than in the normal course of business and at amounts, which could differ from the amounts at which they are stated in these financial statements.

*b) Accounting Policies*

The accounting policies have been consistently applied by the entities in the consolidated group and are consistent with those in the June 2011 financial report except for the adoption of the following new and revised Accounting Standards.

Whilst amendments to the Accounting Standards and Australian Accounting Interpretations have been considered and the Group does not anticipate early adoption of any of the reporting requirements and does not expect these requirement to have any material effect on the Group's financial statements.

**NOTE 2: IMPAIRMENT EXPENSE**

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Impairment of Intangible assets	-	(4,682,782)
Reversal/(impairment) of Trade and other receivables	80,992	(105,568)
Impairment of Exploration and evaluation expenditure	(108,396)	(3,837)
	<u>(27,404)</u>	<u>(4,792,187)</u>

**NOTE 3: SETTLEMENT OF PROVISION**

Amount paid to Omni	1,206,751	-
Associated legal and consultant fees	560,096	-
Reversal of provision	(1,500,000)	-
	<u>266,847</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

**NOTE 4: RELATED PARTY TRANSACTIONS**

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.		
Transactions with related parties:		
<b>a. Key Management Personnel</b>		
Management fees and administration fees paid to Princebrook Pty Ltd, a company in which Mr GH Solomon and Mr DH Solomon have an interest.	97,335	97,335
Legal and professional fees paid to Solomon Brothers, a firm of which Mr GH Solomon and Mr DH Solomon are partners.	58,853	111,358
<b>b. Associated Companies</b>		
Noble Energy Pty Ltd, a company which has a 24.7% fully diluted interest in Eden, purchased 18,500,000 fully paid ordinary shares (with 18,500,000 free attaching options) in Eden as a partial sub-underwriter.	925,000	-
Noble Energy Pty Ltd, a company which has a 24.7% fully diluted interest in Eden, received a sub-underwriting fee of \$46,250 from Eden for partially sub-underwriting a rights issue, see above.	46,250	-

	<b>Note</b>	<b>Dec 2011</b>	<b>Jun 2011</b>
		<b>\$</b>	<b>\$</b>
<b>NOTE 5: FINANCIAL ASSETS</b>			
Balance at the beginning of the period		1,278,562	701,521
Additions		524,583	577,041
Transfer to Exploration and evaluation	5a	(1,803,145)	-
Carrying amount at the end of the period		<u>-</u>	<u>1,278,562</u>

a – During the period Eden completed its farm-in requirements and now owns either a 50% or 100% interest in all the UK gas licences.

**NOTE 6: EXPLORATION AND EVALUATION**

Balance at the beginning of the period		101,818	144,896
Additions		383,175	5,049
Transfer from Financial assets	5a	1,803,145	-
Impairment		-	(48,127)
Carrying amount at the end of the period		<u>2,288,138</u>	<u>101,818</u>

**NOTE 7: INTANGIBLE ASSETS**

Balance at the beginning of the period		5,441,027	9,583,118
Additions		173,226	540,691
Accumulated impaired losses		-	(4,682,782)
Carrying amount at the end of the period		<u>5,614,253</u>	<u>5,441,027</u>

Intangible assets relate mainly to Hythane® trademarks and engineering knowledge. Hythane® is a registered trademark of Eden Innovations Ltd, a controlled entity of Eden Energy Ltd.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

**NOTE 8: SEGMENT INFORMATION**

The Group has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining allocation of resources. Activities of the Group are managed on Group structure basis and operating segments are therefore determined on the same basis. In the regard the following list of reportable segments have been identified.

- Terratherma Ltd – Geothermal exploration and development in South Australia.
- Hythane Co LLC – Hythane® and Optiblend® sales, service and manufacturing in USA, and pyrolysis development.
- Eden Energy (India) Pvt Ltd – Hythane® and Optiblend® sales, service and manufacturing in India.
- Adamo Energy (UK) Ltd (formerly Eden Energy (UK) Ltd) – Coal seam methane and shale gas exploration and development in the UK.

	Terratherma Ltd	Hythane Co LLC	Eden Energy (UK) Ltd	Eden Energy India Pvt Ltd	Eliminations	Economic Entity
	\$	\$	\$	\$	\$	\$
<b>31 December 2011</b>						
Total external revenue	-	36,896	-	42,713		79,609
Inter-segment revenue	-	194,361	-	-	(194,361)	-
Total segment revenue	-	231,257	-	42,713	(194,361)	79,609
Segment profit / (loss) result	8,499	(926,925)	(46,991)	(32,196)	(66,936)	(1,064,549)
Unallocated expenses						(354,609)
Result from operating activities						(1,419,158)
Interest revenue						17,927
Interest expense						(11,528)
Income tax expense						-
Loss after income tax						(1,412,759)
Segment Assets	473	985,390	2,302,579	107,265	(25,505)	3,370,202
Unallocated assets						6,635,360
Total Assets						10,005,562
Capital expenditure	-	68,112	-	771	-	68,883
Depreciation	-	31,837	-	956	191	32,985
<b>31 December 2010</b>						
Total external revenue	-	74,268	-	8,407		82,675
Inter-segment revenue	-	269,942	-	-	(269,942)	-
Total segment revenue	-	344,210	-	8,407	(269,942)	82,675
Segment profit / (loss) result	77,128	(646,528)	(3,637)	(84,249)	(104,808)	(762,094)
Unallocated expenses						(4,511,028)
Result from operating activities						(5,273,122)
Interest revenue						24,545
Interest expense						-
Income tax expense						-
Loss after income tax						(5,248,577)
<b>30 June 2011</b>						
Segment Assets	1,474	1,003,092	1,344,877	115,035	(339,240)	2,125,238
Unallocated assets						8,113,942
Total Assets						10,239,364
Capital expenditure	-	-	77,127	-	-	77,127
Depreciation	-	20,843	-	1,263	-	22,106

**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

**Dec 2011      Jun 2011**  
**\$                      \$**

**NOTE 9: INTEREST BEARING LIABILITIES**

Interest bearing liabilities relate to a convertible note denominated in USD, with interest payable at 4.75% and maturing on 16 November 2014. The note is unsecured and the principle amount ranks with all other unsecured debts owed by the Company. The notes may be converted in part or in full into fully paid ordinary shares at any time up until 16 November 2014 at the election of the note holder.

**NOTE 10: ISSUED CAPITAL**

281,645,635 (30 June 2011: 240,903,019) fully paid ordinary shares	48,683,361	46,635,488
	<u>48,683,361</u>	<u>46,635,488</u>

**a. Ordinary shares**

At the beginning of reporting period	240,903,019	183,539,654
Shares issued – prior year		- 57,363,365
Shares issued during the period		
— 21 September 2011	6,250,000	-
— 16 November 2011	1,175,018	-
— 22 November 2011	10,000	-
— 13 December 2011	33,307,598	-
At reporting date	<u>281,645,635</u>	<u>240,903,019</u>

- i. The ordinary shares on issue have no par value and there is no limited amount of authorised share capital.
- ii. On 21 September 2011 the company issued 6,250,000 ordinary shares to professional and sophisticated investors at \$0.064.
- iii. On 16 November 2011 the company issued 1,175,018 ordinary shares to La Jolla Cove Investors, Inc in satisfaction of a facility fee payable by the Company at \$0.050364 .
- iv. On 22 November 2011 the company issued 10,000 ordinary shares upon the exercise of options in the Company at \$0.20.
- v. On 13 December 2011 the company issued 33,307,598 ordinary shares upon the completion of a partially underwritten rights issue at \$0.05.

**NOTE 11: CONTINGENT LIABILITIES**

Since the last annual reporting date the directors have become aware of a potential contingent liability arising from the treatment of Value Added Tax (“VAT”) on certain UK transactions. At the date of this report the Company has been advised that the probability of a liability arising was unlikely.

There have been no changes in contingent liabilities since the last annual reporting date.

**NOTE 12: EVENTS SUBSEQUENT TO BALANCE DATE**

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years.

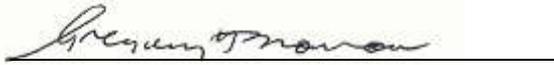
**DIRECTORS' DECLARATION**

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 13 to 20:
  - a. comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations; and
  - b. give a true and fair view of the economic entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director

A handwritten signature in black ink, appearing to read "Gregory H Solomon", is written over a horizontal line.

Gregory H Solomon

Dated this 15<sup>th</sup> day of March 2012

## **Independent Auditor's Review Report To the Members of Eden Energy Limited**

We have reviewed the accompanying half-year financial report of Eden Energy Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

### **Directors' responsibility for the half-year financial report**

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's responsibility**

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Eden Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Independence**

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

**Basis for Qualified Auditor's Opinion**

As disclosed in Note 7 to the financial statements, the consolidated entity has, within non-current assets, intellectual property reported at 31 December 2011 an amount of \$5,614,253.

Accounting standard AASB138 Intangible Assets provides an entity may recognise development costs in relation to intellectual property if it has the ability to fund the continual development of the intellectual property. At the date of this report we have not been provided with sufficient appropriate evidence as to the availability of funds for this purpose. Without these funds, it will not be possible for the Company to continue with the development or commercialisation the intellectual property.

We are therefore unable to satisfy ourselves as to the reported carrying value of intellectual property of \$5,614,253.

**Qualified Auditor's opinion**

Based on our review, which is not an audit, with the exception of the matter described in the preceding paragraph, we have not become aware of any matter that makes us believe that the half-year financial report of Eden Energy Limited is not in accordance with the Corporations Act 2011, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

**Material uncertainty regarding continuation as a going concern**

Without further qualification to our opinion above, we draw attention to Note 1 in the financial report. The consolidated entity incurred a net loss of \$1,412,759 and net cash outflows from operations of \$1,162,740 during the period ended 31 December 2011. The ability of the consolidated entity to continue as a going concern is dependent upon sourcing additional funding and managing discretionary expenditure as required. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



P W Warr  
Partner – Audit & Assurance

Perth, 15 March 2012