Annual Report

for the Year Ended 30 June 2012

Eden Energy Ltd
& Controlled Entities

ABN 58 109 200 900

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HIGHLIGHTS FROM YEAR ENDED 30 JUNE 2012

Pyrolysis Project – Carbon Nanotubes / Carbon Nanofibres / Hydrogen

- **First Carbon Nanotubes Production from Commercial Scale Reactor at US subsidiary**
- **Fully Operating Catalyst Production System - can deliver sufficient catalyst to produce 3 to 4 tpa of carbon nanotubes or 20 to 30 tpa of carbon nanofibres.**
- **Discussions for a collaboration commenced with a group that has developed an admixture to effectively disperse nano-carbon evenly through concrete**
- **Third party tests indicate Eden’s nanocarbon material is likely to be suitable for production of high strength cement paste**

OptiBlend™ Dual Fuel Project

- **Significant increase in sales of OptiBlend™ in USA.**
- **Next-Generation OptiBlend™ kit offering aesthetic and maintenance improvements that will benefit both Hythane and its end users released**
- **Expansion into South American market, first Optiblend™ kit being sent for trials**

United Kingdom Coal Bed Methane / Natural Gas

- **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.**

Corporate

- **Eden completed a non-renounceable, pro-rata rights issue raising, A$1.66 million.**
- **The claim made against Eden by Omni Laboratories Inc ("Omni") and Eden's counterclaim was settled.**
- **A facility agreement entered into with La Jolla Cove Investors terminated following Eden receiving US$1.5million in funds under the facility.**

CORPORATE DIRECTORY

DIRECTORS:
Gregory H Solomon **LLB** (Executive)
Douglas H Solomon **BJuris LLB (Hons)** (Non-Executive)
Guy T Le Page **B.A., B.Sc. (Hons).,M.B.A., F.FIN., MAusIMM** (Non-Executive)
Richard J Beresford **FAICD FAIE** (Non-Executive)

COMPANY SECRETARY:
Aaron P Gates **BCom CA ACSA**

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SOLICITORS:
Solomon Brothers
Level 15
197 St Georges Terrace
Perth WA 6000

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

SHARE REGISTRY:
Advanced 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 and all issued options of the company on all Member Exchanges of the Australian Securities Exchange Limited.

REVIEW OF OPERATIONS

NANO-CARBON / HYDROGEN PYROLYSIS PROJECT (EDEN 100%)

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.

The new process, developed by Eden with the University of Queensland (UQ) and which Eden now owns 100%:

- appears from the results to date to be relatively efficient when compared with other methods of production of carbon nanotubes and fibres and uses 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, carbon nanotubes and solid carbon fibres from natural gas, all of which have significant commercial market potential opening up the possibility of:
  - i. low-cost, super strong, ultra light carbon nanotubes that can possibly be used in a wide range of composite materials suitable for many types of commercial applications including the domestic automobile industry and construction industries in concrete strengthening and in carbon composite materials ;
  - ii. low-cost, high volume production of carbon nanofibres that are highly conductive and possess significant electrical capacity opening up potential for use in a wide range of applications including in batteries and electrical storage, and for electrical conductivity in composite materials due to their electrical conduction capability and ability to hold an electrical charge; 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.

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.

Scale-up in USA- First Commercial Scale Prototype Production Unit

Since July 2010 when staff from Eden's wholly owned subsidiary, Hythane Company visited the University of Queensland (UQ) to complete the procurement of the technology from UQ, Hythane Company has since built and successfully operated a number of scaled up versions of the equipment. It also built a catalyst production laboratory at its US facility for production of multi-walled carbon nanotubes (MWCNT) and carbon nanofibres (CNF).

The quality and quantity of the MWCNT and CNF have been measured and tested using high technology techniques including TEM (Transmission Electron Microscope) photography and Raman Spectroscopy and the results of both the quality and the quantity of all carbon products produced, are very encouraging.

Following the initial scale ups in the US, Hythane Company then, during the year, commissioned and successfully trialled two prototype commercial scale production units which can produce up to a maximum of 100 tonnes of carbon nanofibers per year together with up to 33 tonnes of hydrogen at full production. The first up-scaled reactor was commissioned in August 2011 and the second larger reactor, was commissioned during the last quarter of 2011.

These reactors can be remotely monitored, and incorporate a range of monitors including a pressure monitor and a flammable gas detector.

The units are modular and several reactors will be integrated to produce large-scale future production models.

Optimisation of Catalyst Production and Carbon and Hydrogen Production

During the year, the pilot-scale catalyst production system was updated with automated controls and other improvements for collecting the product, and a scaled-up catalyst production system to meet expected future carbon production requirements was completed.

Eden also continued optimization of the carbon nanomaterial production process. Current carbon catalyst yields being achieved are 35:1 for carbon nanotubes and up to 300:1 for carbon nanofibres, both of which will deliver a purity of carbon that is commercially acceptable to the marketplace.

Concrete

During the year, Eden continued its research into trying to replicate on a repeatable basis its encouraging initial results in US trials, with the addition of small quantities of carbon nanotubes or carbon nanofibres being added to cement to increase compressive and tensile strength.

The main hurdle to be overcome to achieve repeatable results is to find a method to evenly disperse the carbon. The various methods trialled to date by Eden, whilst producing encouraging results, have not been sufficiently repeatable, and Eden has been collaborating with other groups in this search to find a suitable method.

Encouragingly, one group with which Eden has been working for some time has advised that they have developed a method for the even dispersion of the nano-carbon in cement paste, and have achieved increases in compressive strength of more than 25% with the addition of small quantities of Eden's carbon nanotubes. Interestingly, early indications are that the process should only add a relatively small additional amount to the cost of producing concrete.

Eden is currently in discussions with this group with a view to securing a long term association for the purpose of bringing this method of dispersion, as quickly as possible to the stage when it can be fully tested, and a product based upon it can be developed and marketed commercially. Additionally, Hythane Company has been exploring the development of a range of additional applications. If any of these developments, some of which have produced encouraging results, are successful, Eden could well open up a very large market for its nano-carbon products over the next few years.

This work that has been done to date, whilst taking time, is potentially very significant for Eden because not only does it indicate the real possibility for Eden to open up a way to use large quantities of nano-carbon, but the test work done by the third party has also confirmed the quality of the nanocarbon materials produced by Eden are likely to also be suitable for other purposes.

Plastics and Epoxies

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 potential access to other growing markets for these compounds such as for use as a coating on a range of electrical products and components.

Eden has also during the year supplied samples to a commercial operator in India for initial trials for similar applications.

Summary

Eden is on the way to completing the development of an efficient, commercially competitive production process that would enable Eden to produce significant quantities of commercially suitable nano-carbon and to participate in a growing global nano-carbon market. Eden has established production capabilities at its subsidiary in Colorado that enable it to produce up to 40 tonnes of nano-carbon per year.

OPTIBLEND™ DUAL FUEL TECHNOLOGY (EDEN 100%)

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™ fuel (hydrogen enriched natural gas) 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 and other parts of the world, 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 potentially targeting 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.

US Optiblend™ Sales

During the year, US demand for the Optiblend™ system steadily increased as more and more industries looked at ways of converting from oil based fuels to cheaper natural gas. This largely has come about as a result of the massive increase in the supply of shale gas in the US, which in turn has driven down the price of natural gas.

During the year, more units were sold in USA and importantly, whilst the shale gas drilling and fracking market is the major sector adopting dual fuel systems, a significant number of other sectors are also converting gensets to dual fuel operation. The level of interest in OptiBlend™ in the US continues to increase and Eden has been busy keeping up with the demand for both supplying and quoting on its kits.

Eden arranged for a unit to be sent to a site in South America for testing. Once the benefits of the units have been shown it is anticipated that a number of South American sales will follow. Eden believes there is a substantial market for Optiblend™ sales in South America and will continue to pursue this market.

During the year the Optiblend™ design was updated and a new and improved kit was released to the market.

The OptiBlend™ market is dependent on there being a price differential between natural gas and diesel fuel, and during the year, largely as a result of the increasing supply of US shale gas, US natural gas prices reached their lowest levels in almost 10 years, and a large margin developed between the price of natural gas and diesel fuel. This, largely, has been behind the significant increase in enquiries and orders for the OptiBlend™ technology in USA.

Indian Optiblend™ Sales

Eden India also sold a number Optiblend™ kits during the year across the country on a range of different generators.

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.

However, during the past two years, whilst the price of natural gas in India has risen steadily (by almost 45% in places), the Government maintained a constant market price for diesel fuel, with the combined result that natural gas became nearly as expensive as diesel fuel in many places, whilst at the same time the oil companies were reported to be losing money by having to sell diesel fuel at below cost price.

Although many other developing countries facing the same dilemma increased their diesel prices, the Indian government was very slow to act. Finally on 14 September 2012 the Indian government finally announced a 14% increase in the price of diesel, and in consequence it is anticipated that, sales in India are likely to increase over the coming year. Eden India also continues to explore other regional markets for OptiBlend™.

Optiblend™ Summary

With increasing sales of the OptiBlend™ kits with reasonable commercial margins, Eden is increasing its cash flow and as a result the directors believe that there is a chance that the company could potentially become cash flow positive within the next 12-18 months if sales continue as currently projected.

HYTHANE™ (EDEN 100%)

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 more than 20 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, increasing the amount of available natural gas but to date there is still a shortage of gas. However with shale gas exploration anticipated in the coming years, together with increased supplies from lower priced imports of gas, the likelihood of suitably prices, large supplies of natural gas makes India the primary target market for Eden's hydrogen and Hythane™ technology.

Hythane™ Bus Demonstration Projects

During the year, discussions in relation to a proposed Hythane bus project in Mumbai (with GAIL, MGL and BEST- the Mumbai government bus operator) were put on hold as a result of reluctance of the bus company due to the current economics of the project.

However, GAIL (Gas Authority of India) the largest distributor of Natural Gas in India remains keen for an alternative Hythane™ demonstration project in Delhi to proceed, and preliminary discussions have taken place. Similar discussions took place with GSPC Gas in relation to a similar project in Gujarat which had also previously stalled for the same reasons as the Mumbai project.

Whilst these projects have made little actual progress over the past few years, there remains a significant level of interest from the various Indian authorities, and Eden remains cautiously hopeful that one or other of these Hythane bus projects will take place within the next year or so.

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

SOUTH WALES COAL BED METHANE PROJECT (EDEN 100%)

Eden and its UK joint venture partner have 17 PEDLs in South Wales, Bristol/Somerset and Kent in which Eden holds a 50% interest, which are prospective coal bed methane, shale gas and/or natural gas. In addition Eden has a 100% interest in 3 PEDLs in South Wales, giving a total area covered by all 20 PEDLs 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

During the 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.

UK Shale Gas Report

Independent expert, RPS, 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)

The total area of the 17 UK joint venture exploration licences in which Eden holds an interest is approximately 1800km2 or 500,000 acres, all of which is considered prospective for coal bed methane, conventional natural gas and/or shale gas.

UK Coal bed Methane Report

Independent expert, RISC, reported that estimated Gross Contingent Resources of Coal Bed 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 Bed Methane contained in the 17 PEDLs in South Wales, Kent and Bristol Somerset (covering a prospective area of 1,068 square kilometres) in which Eden holds an interest are:

- A low to high estimate of 1,903-4,990 BCF with a best estimate of 3,088 BCF

CORPORATE

Rights issue and La Jolla Cove Investors Inc.

During the year, Eden completed a partially underwritten, pro-rata, non-renounceable rights issue that raised $1.66 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 (or face value) of US $1,000,000.00 ("Purchase Price"). Interest is payable on the principal amount actually advanced by La Jolla under a Note (to the extent not converted into ordinary fully paid shares in the Company) 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.

Subsequently, in consequence of a repudiation of the facility agreement by La Jolla, Eden terminated the facility agreement entered into in November 2011 pursuant to which La Jolla was advancing money to Eden and in return, Eden was issuing shares to La Jolla when La Jolla chose to convert portion of the debt to shares, in accordance with the terms of the facility agreement. As a result of the termination, no further draw-downs under the facility agreement will be made, and similarly La Jolla cannot convert any more money that may be owed to it by Eden to shares.

Further, in light of this termination of the facility agreement because of the repudiation by La Jolla, Eden is exploring its obligations in relation to the unconverted balance of the funds advanced to Eden by La Jolla before the facility was terminated (US$536,039) and interest.

As at the date of this report, La Jolla holds no shares in Eden, having sold all the shares that were previously issued to it under the facility, and has no right to acquire further shares through conversion pursuant to the now terminated facility agreement.

Other Financial Matters

After a wait of almost 12 months, the summary judgement application made by Eden in July 2011 for its claim to recover approximately $1m that is still owed to Eden from the sale in 2009 of some of the hydrogen assets, was dismissed. Whilst it was disappointing after waiting 12 months for a decision, this does not reduce the chance of ultimate success and Eden is continuing to pursue this matter as it believes it has a very strong case and will be proceeding to have the matter heard before the Supreme Court of WA as soon as possible.

The claim made against Eden by Omni Laboratories Inc ('Omni"), 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, was settled for US$1.2 million in October 2011. Eden completed permeability and desorption re-testing which showed some permeability, Ticora claimed there was zero permeability. Even though Eden's lawyers had advised that Eden had good prospects of success based on its case that Omni were negligent in carrying out their test work, if the case went to trial, given the excessively high costs of going to trial and the associated risks, Eden agreed to the settlement. Of the US$1.2 million, US$0.5 million was paid in October 2011 and US$0.7 million was paid in December 2011. The directors had provided $1.5 million in Eden's 30 June 2011 accounts in relation to this matter.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors

The Company's constitution provides that the number of directors shall not be less than three and not more than ten. There is no requirement for any share holding qualification.

As and if the Company's activities increase in size, nature and scope the size of the board will be reviewed periodically, and as circumstances demand.

The membership of the Board, its activities and composition, is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the board shall include quality of the individual, background of experience and achievement, compatibility with other board members, credibility within the Company's scope of activities, intellectual ability to contribute to board's duties and physical ability to undertake board's duties and responsibilities.

Directors are initially appointed by the full board subject to election by shareholders at the next general meeting. Under the Company's constitution the tenure of a director (other than managing director, and only one managing director where the position is jointly held) is subject to reappointment by shareholders not later than the third anniversary following his or her last appointment. Subject to the requirements of the Corporation Act 2001, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a director. A managing director may be appointed for any period and on any terms the directors think fit and, subject to the terms of any agreement entered into, may revoke the appointment.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees at this time. The board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards.

Role of the Board

The Board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the Board is responsible for oversight of management and the overall corporate governance statement of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

Appointments to Other Boards

Directors are required to take into consideration any potential conflicts of interest when accepting appointments to other boards.

Independent Professional Advice

The board has determined that individual directors have the right in connection with their duties and responsibilities as directors, to seek independent professional advice at the Company's expense. With the exception of expenses for legal advice in relation to director's rights and duties, the engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably.

Continuous Review of Corporate Governance

Directors consider, on an ongoing basis, how management information is presented to them and whether such information is sufficient to enable them to discharge their duties as directors of the Company. Such information must be sufficient to enable the directors to determine appropriate operating and financial strategies for time to time in light of changing circumstances and economic conditions. The directors recognise that mineral exploration is an inherently risky business and that operational strategies adopted should, notwithstanding, be directed towards improving or maintaining the net worth of the Company.

ASX Principles of Good Corporate Governance

The board has reviewed its current practices in light of the ASX Principles of Good Corporate Governance and Best Practice Guidelines with a view to making amendments where applicable after considering the Company's size and the resources it has available.

As the Company's activities develop in size, nature and scope, the size of the board and the implementation of any additional formal corporate governance committees will be given further consideration.

The following table sets out the Company's present position with regard to adoption of these Principles.

	ASX Principle	Reference/comment
Principle 1: Lay solid foundations for management and oversight		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	The Company has not adopted this recommendation to formalise and disclose the functions reserved to the board and those delegated to management. The roles and functions within the Company must remain flexible in order for it to best function within its level of available resources.
1.2	Companies should disclose the process for evaluating the performance of senior executives.	The performance of senior executives is regularly reviewed and this has occurred during the year.
1.3	Companies should provide the information indicated in the Guide to Reporting on Principle 1.	See above.
Principle 2: Structure the board to add value		
2.1	A majority of board should be independent directors.	Due to the Company's size, nature and extent of operations, the company has departed from this principle.
2.2	The chair should be an independent director.	Due to the Company's size, nature and extent of operations, the company has departed from this principle.
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	The Company does not have a Chief Executive Officer.
2.4	The board should establish a nomination committee.	Acting in its ordinary capacity as required, the Board carries out the process of determining the need for screening and appointing new directors. In view of the size and resources available to the Company, it is not considered that a nomination committee is warranted.
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Acting in its ordinary capacity, the Board from time to time carries out the process of considering and determining performance issues. Whenever relevant, any such matters are reported to the ASX.
2.6	Companies should provide the information indicated in Guide to Reporting on Principle 2.	The skills and experience of directors are set out in the Company's Annual Report and on its website.
Principle 3: Promote ethical and responsible decision-making		
3.1	Companies should establish a code of conduct and disclose the code or summary of the code as to: • the practices necessary to maintain confidence in the Company's integrity • the practices necessary to take into account their legal obligations and the responsible expectations of their stakeholders • the responsibility and accountability of individuals reporting or investigating reports of unethical practices.	The Company has a Code of Conduct which can be viewed on the Company's website.
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	Due to the Company's size, nature and extent of operations, the company has departed from this principle.

3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	Due to the Company's size, nature and extent of operations, the company has departed from this principle.
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Eden has two women employees in the organisation, but does not have any women in senior executive positions or women on the board.
3.5	Companies should provide the information indicated in Guide to Reporting on Principle 3.	The Code of Conduct can be viewed on the Company's website.

Principle 4: Safeguard integrity in financial reporting

4.1	The board should establish an audit committee.	Due to the Company's size, nature and extent of operations, the company has departed from this principle. The Board itself is the forum that deals with this function.
4.2	The audit committee should be structured so that it: • consists only non-executive directors • consists of a majority of independent directors • is chaired by an independent chair, who is not the chair of the board • At least three members	See 4.1
4.3	The audit committee should have a formal charter.	See 4.1
4.4	Companies should provide the information indicated in Guide to Reporting on Principle 4.	See 4.1

Principle 5: Make timely and balanced disclosure

5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance and disclose those policies or a summary of those policies.	The Company has a Continuous Disclosure Policy which can be viewed on the Company's website.
5.2	Companies should provide the information indicated in Guide to Reporting on Principle 5	See above.

Principle 6: Respect the rights of shareholders

6.1	Companies should design and disclose a communications policy for promoting effective communication with shareholders and encourage their participation at general meetings and disclose their policy or a summary of that policy.	The Company has a Communications Policy which can be viewed on the Company's website.
6.2	Companies should provide the information indicated in Guide to Reporting on Principle 6.	See above

Principle 7: Recognise and manage risk

7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Due to the size and nature of the Company, the Company does not have formalised policies on risk management. The Board recognises its responsibility for identifying areas of material business risk and for ensuring that arrangements are in place for adequately managing these risks. This issue is regularly reviewed at board meetings and risk management culture is encouraged amongst employees and contractors.
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	See 7.1
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	The Executive Chairman and the Chief Financial Officer make this assurance to the Board.
7.4	Provide information indicated in Guide to Reporting on Principle 7.	See above.

Principle 8: Remunerate fairly and responsibly

8.1	The board should establish a remuneration committee.	Due to the size and nature of the Company, the Company does not have a remuneration committee. The Company's Constitution allows for a maximum amount per annum to be paid to non-executive directors, to be allocated at the discretion of the directors. Any changes to the annual amount must be approved at a General Meeting of members of the Company.
8.2	The remuneration committee should be structured so that it: • consists of a majority of independent directors • is chaired by an independent chair has at least three members.	See 8.1
8.3	Companies should clearly distinguish the structure of non-executive directors remuneration from that of executives.	See 8.1
8.4	Companies should provide information indicated in ASX Guide to Reporting on Principle 8.	No schemes exist for retirement benefits for non-executive directors other than statutory superannuation.

DIRECTORS' REPORT

Your directors present their report on the Company and its controlled entities for the financial year ended 30 June 2012.

Directors

The names of directors in office at any time during or since the end of the year are:

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

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretary

The following person held the position of company secretary at the end of the financial year:

Mr Aaron P Gates has worked for Eden Energy Ltd for the past 4 years. He is a Chartered Accountant and Chartered Secretary. He has completed a Bachelor of Commerce (Curtin University) with majors in accounting and business law and completed a Diploma of Corporate Governance. Prior to joining Eden he worked in public practice in audit and corporate finance roles.

Principal Activities

Eden Energy Ltd ("Eden") is a diversified energy company created to provide access to a range of exciting new, clean green energy opportunities. Eden holds interests in:

- carbon nano-tube / fibre production;
- hydrogen fuels;
- coal bed/coal mine methane; and
- a conventional gas play.

There were no other significant changes in the nature of the consolidated group's principal activities during the financial year.

Operating Results

The consolidated loss of the group after providing for income tax amounted to $7,149,880 (2011: $8,521,504).

Dividends Paid or Recommended

No dividends were paid or declared for payment during the year.

Review of Operations

A review of the operations of the Group during the year ended 30 June 2012 is set out in the Review of Operations on Page 5.

Financial Position

The net assets of the consolidated group have decreased by $4,120,348 from 30 June 2011 to $3,925,171 in 2012. This decrease has largely resulted from the loss recorded for the year:

The group's working capital, being current assets less current liabilities, has decreased from $1,032,645 in 2011 to ($651,606) in 2012.

Significant Changes in State of Affairs

There have been no significant changes in the state of affairs occurred during the financial year.

After Balance Date Events

On 22 August 2012, Eden announced that it is undertaking a partially underwritten pro-rata non-renounceable rights issue to raise up to $2,956,572.

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

Future Developments, Prospects and Business Strategies

The Group proposes to continue with its exploration programme on the South Wales, Geothermal and natural gas projects and continue the marketing of Hythane™ and hydrogen technologies as detailed in the Review of Operations.

Environmental Issues

The company is the subject of environmental regulation with respect to mining exploration and will comply fully with all requirements with respect to rehabilitation of exploration sites.

DIRECTORS' REPORT

Information on Directors

Gregory H Solomon	Executive Chairman
Qualifications	**LLB**
Experience	Appointed chairman 2004. Board member since 2004. A solicitor with more than 30 years Australian and international experience in a wide range of areas including mining law, commercial negotiation (including numerous mining and exploration joint ventures) and corporate law. He is a partner in the Western Australian legal firm, Solomon Brothers and has previously held directorships of various public companies since 1984 including two mining/exploration companies.
Interest in Shares and Options	5,701,415 Ordinary Shares 2,587,255 Options
Directorships held in other listed entities	Tasman Resources Limited (ASX:TAS) Fission Energy Limited (ASX:FIS)
Douglas H Solomon	Non-Executive
Qualifications	**BJuris LLB (Hons)**
Experience	Board member since May 2004. A Barrister and Solicitor with more than 20 years experience in the areas of mining, corporate, commercial and property law. He is a partner in the legal firm, Solomon Brothers.
Interest in Shares and Options	4,739,700 Ordinary Shares 2,388,398 Options
Directorships held in other listed entities	Tasman Resources Limited (ASX:TAS) Fission Energy Limited (ASX:FIS)
Guy T Le Page	Non-Executive
Qualifications	**B.A., B.Sc. (Hons).,M.B.A., F.FIN., MAusIMM**
Experience	Board member since May 2004. Currently a corporate adviser specialising in resources. He is actively involved in a range of corporate initiatives from mergers and acquisitions, initial public offerings to valuations, consulting and corporate advisory roles. He previously spent 10 years as an exploration and mining geologist in Australia, Canada and the United States. His experience spans gold and base metal exploration and mining geology and he has acted as a consultant to private and public companies. This professional experience included the production of both technical and valuation reports for resource companies.
Interest in Shares and Options	1,000,000 Options
Directorships held in other listed entities	Tasman Resources Limited (ASX:TAS) Fission Energy Limited (ASX:FIS) Red Sky Energy Limited (ASX:ROG) Palace Resources Limited (ASX:PXR) Soil Sub Technologies Ltd (ASX: SOI)

DIRECTORS' REPORT

Richard J Beresford	Non-Executive
Qualifications	**FAICD FAIE**
Experience	Mr Beresford began his career in engineering and has since gained 25 years experience in the international energy business spanning research, technology commercialisation, strategic planning, operations, business development, capital raising, acquisitions, marketing and general management. He is currently Executive Chairman of ASX-listed geothermal developer Green Rock Energy Limited. He has led or played a key role in the development and commercialisation of energy technologies including fuel cells, natural gas vehicles and cryogenic natural gas sweetening processes and in several renewable energy businesses. From 1996 to 2001 he was with Woodside developing downstream gas business. He became Director of Downstream Business Development in 1999 and Managing Director of Metasource, Woodside's green energy subsidiary in 2001. From 1982 to 1992 he worked with British Gas in the UK. In 1990 he joined its Global Gas business with responsibility for Asia. This included negotiations in India leading to the formation of the Mahanagar Gas distribution joint venture with the Gas Authority of India Limited (GAIL).
Interest in Shares and Options	1,200,000 Ordinary Shares 1,000,000 Options
Directorships held in other listed entities	Liquefied Natural Gas Limited (ASX:LNG) Green Rock Energy Limited (ASX:GRK)

REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each director of Eden Energy Limited, and for the executives receiving the highest remuneration.

Remuneration policy

The remuneration policy of Eden Energy Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated group's financial results. The board of Eden Energy Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the consolidated group, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the economic entity is as follows:

- All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits and options.

Executives are also entitled to participate in the employee share and option arrangements.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes methodology.

The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the consolidated group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the employee option plan.

Performance-based remuneration

No performance based remuneration was paid during the year.

DIRECTORS' REPORT

Key Management Personnel Remuneration Policy

The Board's policy for determining the nature and amount of remuneration of management for the group is as follows:

The remuneration structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for service between the company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement. Any options not exercised before or on the date of termination lapse.

Key Management Personnel Remuneration

Key Management Person	Short-term Benefits			Post-Employment Benefits	Other Long Term Benefits	Termination Benefits	Share-based Payment		Total	Performance Related
	Salary and Fees	Cash profit share	Non-cash benefit	Superannuation	Other	Other	Equity	Options		
	$	$	$	$	$		$	$	$	%
2012										
Gregory H Solomon	172,500	-	-	15,525	-		-	-	188,025	-
Douglas H Solomon	36,000	-	-	3,240	-		-	-	39,240	-
Guy T Le Page	36,000	-	-	3,240	-		-	-	39,240	-
Richard J Beresford	36,000	-	-	3,240	-		-	-	39,240	-
Roger W Marmaro	238,321	-	19,932	12,471	-		-	715	271,439	-
Aaron P Gates	(a)	-	-	-	-		-	-	-	-
	518,821		19,932	37,716	-		-	715	577,184	
2011										
Gregory H Solomon	150,000	-	-	13,500	-		-	-	163,500	-
Douglas H Solomon	24,000	-	-	2,160	-		-	-	26,160	-
Guy T Le Page	24,000	-	-	2,160	-		-	-	26,160	-
Richard J Beresford	24,000	-	-	2,160	-		-	-	26,160	-
Roger W Marmaro	257,157	-	32,631	14,702	-		-	-	304,490	-
Aaron P Gates	(a)	-	-	-	-		-	-	-	-
	479,157	-	32,631	34,682	-		-	-	546,470	-

(a) This officer is provided by Princebrook Pty Ltd under the Management services Agreement with the Company.

Options issued as part of remuneration for the year ended 30 June 2012

Options are issued to directors and employees as part of their remuneration. The options are not issued on performance criteria, but are issued to the majority of directors and employees of Eden Energy Ltd to increase goal congruence between executives, directors and shareholders.

Shares Issued on Exercise of Compensation Options

No options were exercised during the year that were granted as compensation in prior periods.

DIRECTORS' REPORT

Options Granted as Remuneration

No options were issued to directors or employees as part of their remuneration during the year.

Meetings of Directors

During the financial year, 4 meetings of directors were held. Attendances by each director during the year were as follows:

	Number eligible to attend	Number attended
Gregory H Solomon	4	4
Douglas H Solomon	4	4
Guy T Le Page	4	4
Richard J Beresford	4	4

Options

At the date of this report, the unissued ordinary shares of Eden Energy Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
23 December 2008	26 May 2013	$0.385	500,000
20 November 2009	20 November 2012	$0.10625	4,000,000
14 May 2010	14 May 2013	$0.20	285,000
Various	30 June 2014	$0.20	30,093,365
			34,878,365

No person entitled to exercise the option has any right by virtue of the option to participate in any share issue of any other body corporate.

Indemnifying Officers or Auditor

The Company has arranged for an insurance policy to insure the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the Company. The total premium payable was approximately $21,000.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

DIRECTORS' REPORT

Non-audit Services

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

No fees for non-audit services were paid / payable to the external auditors during the year ended 30 June 2012.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 20.

Signed in accordance with a resolution of the Board of Directors.

Gregory H Solomon
Chairman

Dated this 28th day of September 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 audit of Eden Energy Limited for the year ended 30 June 2012, 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 audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

P. Warr.

P W Warr
Partner – Audit & Assurance

Perth, 28 September 2012

STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 30 JUNE 2012

	Note	Consolidated Group	
		2012	**2011**
		$	**$**
Revenue	2a	261,555	291,993
Other income		29,079	178,017
Raw materials and consumables used		(85,356)	(106,202)
Accounting and audit expense		(93,508)	(112,176)
Depreciation and amortisation expense		(80,911)	(50,095)
Employee benefits expense		(1,342,114)	(1,287,871)
Exploration expenditure written off		(8,195)	(204)
Finance costs		(138,430)	(62)
Foreign exchange gain / (loss)		(265)	(1,060)
Gain on sale of non -current assets		-	620,106
Impairment of intellectual property	3a	(4,708,665)	(4,682,782)
Impairment of exploration costs		(110,549)	(47,923)
Impairment of receivables	3a	96,562	(701,075)
Legal and other consultants expense		(393,345)	(1,374,201)
Litigation expense		(235,897)	(581,886)
Research and development expenditure		(21,500)	(87,250)
Rent expense		(81,446)	(92,788)
Travel and accommodation expense		(105,690)	(215,350)
Other expenses		(319,815)	(388,527)
Loss before income tax	3	(7,338,490)	(8,732,830)
Income tax (expense)/benefit	6	188,610	211,326
Loss for the year	3	(7,149,880)	(8,521,504)
Other Comprehensive Income			
Foreign currency translation reserve		19,490	(327,364)
Income tax relating to comprehensive income		-	-
Total Other Comprehensive Income, net of tax		19,490	(327,364)
Total Comprehensive Income / (Loss) attributable to members of the parent		(7,130,390)	(8,848,868)
Basic/Diluted loss per share (cents per share)	5	(2.6042)	(4.0821)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	Note	Consolidated Group 2012 $	Consolidated Group 2011 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	203,069	2,024,427
Trade and other receivables	10	363,571	793,470
Inventories	11	329,021	348,259
Other current assets	12	87,559	60,334
TOTAL CURRENT ASSETS		983,220	3,226,490
NON-CURRENT ASSETS			
Trade and other receivables	10	730,000	100,500
Financial assets	13	-	1,278,562
Property, plant and equipment	14	265,907	90,967
Intangible assets	17	1,020,700	5,441,027
Exploration and evaluation	18	2,560,170	101,818
TOTAL NON-CURRENT ASSETS		4,576,777	7,012,874
TOTAL ASSETS		5,559,997	10,239,364
CURRENT LIABILITIES			
Trade and other payables	19	1,040,957	618,672
Provisions	20	593,869	1,575,173
TOTAL CURRENT LIABILITIES		1,634,826	2,193,845
TOTAL LIABILITIES		1,634,826	2,193,845
NET ASSETS		3,925,171	8,045,519
EQUITY			
Issued capital	21	49,640,790	46,635,488
Reserves	23	1,753,664	1,729,434
Retained earnings		(47,469,283)	(40,319,403)
TOTAL EQUITY		3,925,171	8,045,519

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2012

Consolidated Group

	Share Capital				
	Ordinary	Option Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	$	$	$	$	$
Balance at 30 June 2010	42,345,754	2,035,781	21,017	(31,797,899)	12,604,653
Shares issued during the year, net of issue costs	4,289,734	-	-	-	4,289,734
Total other comprehensive income	-	-	(327,364)	(8,521,504)	(8,848,868)
Balance at 30 June 2011	46,635,488	2,035,781	(306,347)	(40,319,403)	8,045,519
Shares issued during the year, net of issue costs	3,005,302	-	-	-	3,005,302
Options issued during the year	-	4,740	-	-	4,740
Total other comprehensive income	-	-	19,490	(7,149,880)	(7,130,390)
Balance at 30 June 2012	49,640,790	2,040,521	(286,857)	(47,469,283)	3,925,171

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS FOR YEAR ENDED 30 JUNE 2012

	Note	Consolidated Group	
		2012 $	2011 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		296,633	216,168
Payments to suppliers and employees		(2,342,053)	(3,180,375)
Income tax (paid) / received		188,610	211,326
Interest received		24,309	52,159
Net cash provided by (used in) operating activities	22	(1,832,501)	(2,700,722)
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration expenditure		(828,957)	(3,836)
Purchase of property, plant and equipment	14	(183,569)	(15,461)
Purchase of exploration interests		(385,624)	-
Development of intangible assets		(173,226)	(540,691)
Investment in joint venture		-	(664,232)
Settlement of provision		(1,813,708)	-
Proceeds from sale of investments		-	700,000
Proceeds from sale of subsidiary (net of cash disposed)		-	200,000
Net cash provided by (used in) investing activities		(3,385,084)	(324,220)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares, net of issue costs		1,981,922	4,046,506
Proceeds from borrowings		1,460,495	-
Net cash provided by (used in) financing activities		3,442,417	4,046,506
Net increase (decrease) in cash held		(1,775,168)	1,021,564
Net increase(decrease) due to foreign exchange movements		(46,190)	(47,425)
Cash at beginning of financial year		2,024,427	1,050,288
Cash at end of financial year	9	203,069	2,024,427

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers the consolidated group of Eden Energy Ltd and controlled entities, and Eden Energy Ltd as an individual parent entity. Eden Energy Ltd is a listed public company, incorporated and domiciled in Australia.

The financial report of Eden Energy Limited and controlled entities, and Eden Energy Ltd as an individual parent entity complies with all International Financial Reporting Standards (IFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the consolidated group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

The accounting policies set out below have been consistently applied to all years presented.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

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 loss for the year of $7,149,880 (including Impairment of intellectual property of $4,708,665) and a cash outflow from operating activities of $1,832,501.

The continuing applicability of the going concern basis of accounting is dependent upon the Group's ability to source additional finance and/or the successful commercialisation of its products. The Group is completing a rights issue and has raised approximately $2.5 million (gross) - refer to Note 29. If the forecast commercialisation of the Group's product is not at expected levels, the Group can vary the timing of its discretionary expenditure as necessary. Depending on the outcome of these matters, 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.

The directors are confident that the Group will be able to continue its operations as a going concern, however, 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 financial report was authorised for issue on 28 September 2012 by the Board of Directors.

Accounting Policies

a. **Principles of Consolidation**

A controlled entity is any entity Eden Energy Ltd has the power to control the financial and operating policies of so as to obtain benefits from its activities. A list of controlled entities is contained in Note 16 to the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

b. **Income Tax**

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. **Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Costs are assigned on the basis of weighted average costs.

d. **Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	**Depreciation Rate**
Plant and equipment	15 – 50%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each year end.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

e. **Exploration and Evaluation Expenditure**

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

f. **Financial Instruments**

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. **Financial Instruments continued**

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an asset is impaired. Impairment losses are recognised in the income statement.

g. **Impairment of Assets**

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

h. **Interests in Joint Ventures**

The consolidated group's interests in joint venture entities are brought to account using the proportionate consolidation method of accounting in the consolidated financial statements. Details of the consolidated group's interests are shown at Note 15.

i. **Intangibles**

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

Intellectual Property

Intellectual property, which includes trademarks and engineering knowledge, is included in the financial statements at cost, being their fair value on acquisition.

Intellectual property and trademarks are only amortised or written down where the useful lives are limited or impaired by specific circumstances, in such cases amortisation is charged on a straight line basis over their useful lives and write downs are charged fully when incurred. The directors have assessed the useful life of the intellectual property and have determined that it has a finite useful life. The intellectual property will be amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. **Foreign Currency Transactions and Balances**

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

— assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;

— income and expenses are translated at average exchange rates for the period; and

— retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed. Intercompany loans are treated as investments for foreign currency translation purposes.

k. **Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Equity-settled compensation

The group operates a number of share-based compensation plans. These include both a share option arrangement and an employee share scheme. The bonus element over the exercise price of the employee services rendered in exchange for the grant of shares and options is recognised as an expense in the income statement. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares of the options granted.

l. **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

m. **Revenue**

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

n. **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

o. **New accounting standards and interpretations**

The directors have assessed the new accounting standards issued but not yet effective at 30 June 2012 and noted no impact on the entity's financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key Estimates — Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

- Value-in-use is calculated based on the present value of cash flow projections.
- Costs have been based on historical amounts adjusted for CPI increase.
- A 30% discount rate was utilised to recognise inherent risk in the forecasts.

There is a significant risk of actual outcomes being different from those forecasted due to changes in economic or market conditions and events.

Key Estimates — Share-based payment transactions

The consolidated entity measures the cost of equity settled transactions with suppliers by reference to the fair value of the equity instruments as at the date at which they are granted. The fair value is determined using a Black-Scholes model.

NOTE 2: REVENUE

	Note	2012 $	2011 $
a. Operating activities			
— sale of goods or services		261,555	291,993
Total Revenue		261,555	291,993

NOTE 3: LOSS FOR THE YEAR

a. **Significant Revenue and Expenses**

	Note	2012	2011
Significant expense items relevant in explaining the financial performance:			
Gain on sale of non-current asset		-	620,106
Impairment of intellectual property	3b	(4,708,665)	(4,682,782)
Impairment of exploration costs		(110,549)	(47,923)
Impairment of receivables		96,562	(701,075)

b. Relates to a provision for impairment provided for against Hythane™ technology, refer to Note 17. The decision to provide for this impairment was taken because the trialling and proposed commercialisation of the Hythane™ technology in India has been delayed, although it is still being actively pursued.

NOTE 4: AUDITORS' REMUNERATION

	2012	2011
Remuneration of the auditor of the parent entity for:		
— auditing or reviewing the financial report	44,946	44,155
Remuneration of other auditors of subsidiaries for:		
— auditing or reviewing the financial report	20,174	23,665
— Other	-	1,776

NOTE 5: EARNINGS PER SHARE

	2012	2011
a. Reconciliation of earnings to profit or loss		
Profit/(loss)	(7,149,880)	(8,521,504)
Earnings used to calculate basic EPS	(7,149,880)	(8,521,504)
b. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	274,547,691	208,751,399

The options on issue are not potentially dilutive shares.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 $	2011 $
NOTE 6: INCOME TAX EXPENSE			
a. The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:			
Prima facie tax payable on loss from ordinary activities before income tax at 30% (2011: 30%)		(2,201,547)	(2,619,849)
		(2,201,547)	(2,619,849)
Add tax effect of:			
— shares and options expensed during year		6,162	-
— deferred tax assets not brought to account		2,195,385	2,619,849
Less tax effect of:			
— Prior year research and development benefit		(188,610)	(211,326)
Income tax expense / (benefit) reported in the Income Statement		(188,610)	(211,326)
b. Deferred tax assets not brought to account, the benefits of which will only be realised if conditions for deductibility occur:			
— Net deferred tax assets/(liabilities)		(812,473)	(371,275)
— tax losses		8,152,438	7,135,936
		7,339,965	6,764,661

NOTE 7: RELATED PARTY TRANSACTIONS

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:

Key Management Personnel

	2012 $	2011 $
Management fees and administration fees paid/payabe to Princebrook Pty Ltd, a company in which Mr GH Solomon and Mr DH Solomon have an interest.	194,670	194,670
Legal fees paid/payable to Solomon Brothers predominately to do with the Engenco and Ticora litigation, a firm of which Mr GH Solomon and Mr DH Solomon are partners.	182,283	259,581
Underwriting and capital raising fees paid to RM Corporate Finance, a firm of which Mr GT Le Page has an interest. In 2011 RM Corporate Finance also received 3,180,000 20 cent options expiring 30 June 2014 as part of the underwriting fee.	10,000	172,288
Noble Energy Pty Ltd, (which the company has a 24.70% fully diluted interest in the Company) purchased 18,500,000 fully paid ordinary shares at $0.05 per share (with 18,500,000 free attaching options) in Eden Energy Ltd as a partial sub-underwriter.	925,000	-

NOTE 8: KEY MANAGEMENT PERSONNEL COMPENSATION

a. Names and positions held of economic and parent entity key management personnel in office at any time during the financial year are:

Key Management Person	Position
Gregory H Solomon	Executive Chairman
Douglas H Solomon	Non-Executive Director
Guy T Le Page	Non-Executive Director
Richard J Beresford	Non-Executive Director
Roger W Marmaro	President Hythane
Aaron P Gates	Company Secretary / Chief Financial Officer

Key management personnel remuneration is included in the Remuneration Report of the Directors Report

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 8: KEY MANAGEMENT PERSONNEL COMPENSATION CONTINUED

b. Options and Rights Holdings

Number of Options Held by Key Management Personnel

	Balance 30.6.2011	Granted as Compen-sation	Options Exer-cised	Net Change* Other	Balance 30.6.2012	Total Vested 30.6.2012	Total Exercisable 30.6.2012	Total Unexer-cisable 30.6.2012
Gregory H Solomon	1,383,131	-	-	1,204,124	2,587,255	2,587,255	2,587,255	-
Douglas H Solomon	1,335,131	-	-	1,053,267	2,388,398	2,388,398	2,388,398	-
Guy T Le Page	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000	-
Richard J Beresford	1,000,000	-	-	200,000	1,200,000	1,200,000	1,200,000	-
Roger W Marmaro	532,058	50,000	-	(532,058)	50,000	50,000	50,000	-
Aaron Gates	628,856	-	-	(128,356)	500,500	500,500	500,500	-
Total	5,879,176	50,000	-	1,796,977	7,726,153	7,726,153	7,726,153	-

* Net Change Other refers to options that have been purchased, sold, lapsed or issued during the year.

c. Shareholdings

Number of Shares held by Key Management Personnel

	Balance 30.6.2011	Received as Compen-sation	Options Exercised	Net Change* Other	Balance 30.6.2012
Gregory H Solomon	4,434,433	-	-	1,266,982	5,701,415
Douglas H Solomon	3,686,433	-	-	1,053,267	4,739,700
Guy T Le Page	-	-	-	-	-
Richard J Beresford	1,000,000	-	-	200,000	1,200,000
Roger W Marmaro	2,507,290	-	-	(665,466)	1,841,824
Aaron P Gates	148,356	-	-	(123,356)	25,000
Total	11,776,512	-	-	1,731,427	13,507,939

* Net Change Other refers to shares purchased, acquired though rights issues and share purchase plans or sold during the financial year.

d. Remuneration

Refer to disclosures contained in the Remuneration Report section of the Directors' Report. The totals of remuneration paid to key management personnel of the Group during the year are as follows:

	2012 $	2011 $
Short-term employee benefits	538,753	511,788
Post-employment benefits	37,716	34,682
Other long-term benefits	-	-
Termination benefits	-	-
Share based payments	715	-
Total	577,184	546,470

NOTE 9: CASH AND CASH EQUIVALENTS

Cash at bank and in hand	203,069	2,024,427
	203,069	2,024,427

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the statement of financial position as follows:

Cash and cash equivalents	203,069	2,024,427
	203,069	2,024,427

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 $	2011 $
NOTE 10: TRADE AND OTHER RECEIVABLES			
CURRENT			
Trade receivables		363,571	214,545
Less provision for impairment		-	(101,075)
Other un-secured receivables		-	680,000
		363,571	793,470
NON-CURRENT			
Other un-secured receivables	10(a)	1,730,000	1,100,500
Less provision for impairment	10(a)	(1,000,000)	(1,000,000)
		730,000	100,500

(a) $1,000,000 relates to an Aptus 100 reformer owed to Eden Energy from the sale of HyRadix Inc in 2009. A provision for impairment has now been recognised for this balance and it is now being treated as a contingent asset (refer Note 25).

	Note	2012 $	2011 $
NOTE 11: INVENTORIES			
CURRENT			
At cost		329,021	348,259
		329,021	348,259
NOTE 12: OTHER CURRENT ASSETS			
Other		87,559	60,334
		87,559	60,334
NOTE 13: FINANCIAL ASSETS			
Balance at the beginning of the year		1,278,562	701,521
Additions		524,583	577,041
Transfer to Exploration and evaluation	a	(1,803,145)	-
Balance at the end of the year		-	1,278,562

a - During the period Eden completed its farm-in requirements and now owns 50% interest in all these UK gas licences. See note 18.

	Note	2012 $	2011 $
NOTE 14: PROPERTY, PLANT AND EQUIPMENT			
Plant and equipment:			
At cost		592,132	326,714
Accumulated depreciation		(326,225)	(235,747)
Total plant and equipment		265,907	90,967
Total property, plant & equipment		265,907	90,967
Movements in Carrying Amounts			
Balance at the beginning of year		90,967	178,786
Additions		250,687	15,461
Disposals		-	(29,239)
Net foreign exchange differences on translation		5,164	(23,946)
Depreciation expense		(80,911)	(50,095)
Carrying amount at the end of year		265,907	90,967

Capitalised costs amounting to $183,569 (2011: $15,461) have been included in cash flows from investing activities in the statement of cash flows for the Consolidated Group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 15: JOINT VENTURE

A controlled entity, Adamo Energy (UK) Ltd, has a 50% interest in 17 UK gas licences through a Joint Operating Agreement, the principal activity is the exploration and the development of these licences. The interests in joint venture entities are accounted for using the proportionate consolidation method of accounting.

a. Share of joint venture entity's results and financial position

At present activities conducted by the joint venture mainly consist of exploration and development of these licences. The assets would mainly consist of capitalised exploration costs and results would be a small loss due to administrational costs borne by the joint venture.

NOTE 16: CONTROLLED ENTITIES

a. Controlled Entities	**Country of Incorporation**	**Percentage Owned (%)***	
		2012	**2011**
Subsidiaries of Eden Energy Limited:			
Eden Innovations Limited	Ireland	100	100
Adamo Energy (UK) Limited (formerly Eden Energy (UK) Ltd)	United Kingdom	100	100
Eden Energy (India) Pvt Ltd	India	100	100
Hythane Company LLC	USA	100	100
Eden Energy Holdings Pty Ltd (formerly Terratherma Ltd)	Australia	100	100
Adamo Energy Ltd (newly formed entity)	Australia	100	-

** Percentage of voting power is in proportion to ownership*

b. Acquisition of Controlled Entities

No entities were acquired during the year.

c. Disposal of Controlled Entities

No entities were disposed during the year.

	Note	**2012 $**	**2011 $**
NOTE 17: INTANGIBLE ASSETS			
Intellectual property		10,412,147	10,123,809
Accumulated impaired losses		(9,391,447)	(4,682,782)
Net carrying value		1,020,700	5,441,027
Balance at the beginning of the year		5,441,027	9,583,118
Additions		288,338	540,691
Impairment expense		(4,708,665)	(4,682,782)
Carrying amount at the end of the year		1,020,700	5,441,027

Intellectual property relates mainly to pyrolysis technology developed by Eden with the University of Queensland (UQ) and which Eden now owns 100%.

NOTE 18: EXPLORATION AND EVALUATION		
Balance at the beginning of the year	101,818	144,896
Exploration expenditure incurred during the year	390,776	5,049
Acquisition of exploration interests	383,175	-
Transfer from financial assets	1,803,145	-
Exploration expenditure written-off during the year	(8,195)	(204)
Impairment	(110,549)	(47,923)
Balance at the end of the year	2,560,170	101,818

Recoverability of the carrying amount of exploration assets is dependent on the successful exploration and sale of gas. Capitalised costs amounting to $828,957 (2011: $3,836) have been included in cash flows from investing activities in the statement of cash flows for the Consolidated Group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 19: TRADE AND OTHER PAYABLES

	Note	2012 $	2011 $
Trade payables		1,040,957	618,672
		1,040,957	618,672

NOTE 20: PROVISIONS

	Note	2012 $	2011 $
Other	20a	593,869	1,575,173
		593,869	1,575,173

20a At 30 June 2011, a large proportion of this relates to 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. At 30 June 2012, this mainly relates to a provision for the settlement of a disputed debt with La Jolla Cove Investors Inc ("La Jolla"), based on the directors best estimate, arising from a convertible note agreement that was repudiated by La Jolla.

NOTE 21: ISSUED CAPITAL

	2012 $	2011 $
328,507,995 (2011: 240,903,019) fully paid ordinary shares	49,640,790	46,635,488
	49,640,790	46,635,488

a. **Ordinary shares**	2012 No.	2011 No.
At the beginning of reporting period	240,903,019	183,539,654
Shares issued – prior year	-	57,363,365
Shares issued during the year		
— 21 September 2011	6,250,000	-
— 16 November 2011	1,175,018	-
— 22 November 2011	10,000	-
— 13 December 2011	33,307,598	-
— 3 January 2012	1,388,889	-
— 11 January 2012	1,524,390	-
— 31 January 2012	619,195	-
— 3 February 2012	793,651	-
— 13 February 2012	1,677,852	-
— 16 February 2012	671,141	-
— 23 February 2012	1,730,104	-
— 27 February 2012	1,384,083	-
— 6 March 2012	4,376,956	-
— 21 March 2012	4,313,229	-
— 5 April 2012	3,369,796	-
— 30 April 2012	3,806,597	-
— 16 May 2012	7,679,119	-
— 28 May 2012	8,208,209	-
— 18 June 2012	5,319,149	-
At reporting date	328,507,995	240,903,019

i. The ordinary shares on issue have no par value and there is no limited amount of authorised share capital.

ii. Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 21: ISSUED CAPITAL CONTINUED

b. Options

At the beginning of reporting period	41,550,129	14,208,764
Options issued – prior year	-	30,093,365
Options lapsed – prior year	-	(2,752,000)
Options lapsed	(6,721,764)	-
Options exercised during the year		
— 25 November 2011	(10,000)	-
Options issued during the year		
— 12 August 2011	331,250	-
— 3 November 2011	6,250,000	-
— 15 December 2011	31,615,862	-
— 15 December 2011	1,691,736	-
At reporting date	74,707,213	41,550,129

i. For information relating to the Eden Energy Limited employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer to Note 28 Share-based Payments.

c. Capital Management

Management controls the working capital of the Company in order to maximise the return to shareholders and ensure that the Company can fund its operations and continue as a going concern. Management effectively manages the Company's capital by assessing the Company's financial risks and adjusting its capital structure in responses to changes in these risks and in the market. These responses include the management of expenditure and debt levels, distributions to shareholders and share and option issues. There have been no changes in the strategy adopted by management to control the capital of the Company since the prior year.

NOTE 22: CASH FLOW INFORMATION

	Note	2012 $	2011 $
Reconciliation of Cash Flow from Operations with Loss after Income Tax			
Loss after income tax		(7,149,880)	(8,521,504)
Cash flows excluded from loss attributable to operating activities			
Non-cash flows in loss			
Depreciation and amortisation		80,911	50,095
Impairment expense		4,819,214	5,431,780
Reversal of impairment of receivables		(96,562)	-
Employee benefits		4,740	-
Foreign exchange loss		265	1,060
Research and development expenditure		21,500	87,250
Gain on sale of non-current assets		-	(620,106)
Litigation expense		235,897	581,886
Shares/options expense		101,251	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries			
(Increase)/decrease in trade and other receivables*		(196,924)	124,934
(Increase)/decrease in inventories		19,211	21,654
Increase/(decrease) in trade payables and accruals*		327,876	142,229
Cash flow from operations		(1,832,501)	(2,700,722)

* - Net of non operating movements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 23: RESERVES

a. Option Reserve

The option reserve records items recognised as expenses on valuation of employee share options.

b. Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on the translation of foreign controlled subsidiaries.

NOTE 24: CAPITAL AND LEASING COMMITMENTS

	2012 $	2011 $
a. Capital Expenditure Commitments		
— not later than 12 months	-	-
— greater than 12 months	-	-
	-	-

b. Exploration Commitments

Currently Eden Energy Ltd has no obligations to perform work on its SA gas licence.

c. Joint Ventures

Eden Energy Ltd is committed to fund exploration expenditure in South Wales pursuant to a joint venture agreement in respect of conventional hydrocarbons on Petroleum Exploration and Development Licences.

NOTE 25: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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.

Eden Energy Ltd is owed an Aptus 100 reformer from the sale of HyRadix Inc in 2009. Eden Energy Ltd has engaged solicitors on its behalf to commence actions on its behalf. The directors have estimated this contingent asset to have a value of $600,000.

The Directors are not aware of any other contingent assets or contingent liabilities at 30 June 2012.

NOTE 26: PARENT COMPANY INFORMATION

	2012 $	2011 $
a. **Parent Entity**		
Assets		
Current assets	123,785	2,453,138
Non-current assets (include s intercompany receivables of $13,870,233)	18,255,400	12,741,117
Total Assets	18,379,185	15,194,255
Liabilities		
Current liabilities	1,035,990	1,788,917
Total liabilities	1,035,990	1,788,917
Equity		
Issued Capital	49,640,790	46,635,488
Retained Earnings	(36,333,377)	(35,265,931)
Reserves		
Option reserve	2,035,781	2,035,781
Total reserves	2,035,781	2,035,781
Financial performance		
Loss for the year	(1,067,422)	(3,408,813)
Other comprehensive income, net of tax	-	-
Total comprehensive income	(1,067,422)	(3,408,813)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 27: SEGMENT REPORTING

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.

- Eden Energy Nominees Pty Ltd (formerly Terratherma Ltd) – Formerly geothermal exploration and development in South Australia.
- Hythane Co LLC – Hythane™ and Optiblend™ sales, service and manufacturing in USA, and pyrolysis technology 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.

	Hythane Co LLC	Adamo Energy (UK) Ltd	Eden Energy India Pvt Ltd	Eliminations	Economic Entity
	$	$	$	$	$
2012					
External sales	194,734	-	66,821	-	261,555
Other segments	339,982	-	-	(339,982)	-
Total segment revenue	534,716	-	66,821	(339,982)	261,555
Segment Result	(1,364,712)	(51,388)	(77,154)	(113,586)	(1,606,840)
Unallocated expenses					(5,588,359)
Result from operating activities					(7,195,199)
Finance costs					(143,291)
Loss before income tax					(7,338,490)
Income tax expense					188,610
Loss after income tax					(7,149,880)
Segment assets	729,962	2,812,882	165,957	(24,539)	3,684,262
Unallocated assets					1,875,735
Total assets					5,559,997
Capital expenditure	183,569	385,624	859	-	570,052
Depreciation and amortisation	78,611	-	1,798	-	80,409
2011					
External sales	167,597	-	124,396	-	291,993
Other segments	577,667	-	-	(577,667)	-
Total segment revenue	745,264	-	124,396	(577,667)	291,993
Segment Result	680,498	(91,092)	(4,168)	(256,352)	328,886
Unallocated expenses					(9,061,654)
Result from operating activities					(8,732,768)
Finance costs					(62)
Loss before income tax					(8,732,830)
Income tax expense					211,326
Loss after income tax					(8,521,504)
Segment assets	1,003,092	1,344,877	115,035	(339,240)	2,123,764
Unallocated assets					8,115,600
Total Assets					10,239,364
Capital expenditure	12,860	-	2,601	-	15,461
Depreciation and amortisation	42,802	-	2,416	-	50,096

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 28: SHARE-BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2012:

On 23 December 2008, 500,000 share options were issued, exercisable at $0.385 at any time before 26 May 2013 were granted for nil consideration to employees under the Eden Employee Share Option Plan ("ESOP").

On 20 November 2009, 4,000,000 share options were issued, exercisable at $0.10625 at any time before 20 November 2012 were granted for nil consideration to directors pursuant to AGM approval.

On 14 May 2010, 310,000 share options were issued, exercisable at $0.20 at any time before 14 May 2013 were granted for nil consideration to employees under the Eden Employee Share Option Plan ("ESOP").

All options granted to key management personnel are ordinary shares in Eden Energy Limited, which confer a right of one ordinary share for every option held. When issued, the shares carry full dividend and voting rights.

	2012		2011	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding at the beginning of the year	6,456,764	0.19	7,981,764	0.28
Granted	331,250	0.20	-	-
Lapsed	(1,721,764)	0.31	(1,525,000)	0.66
Outstanding at year-end	5,066,250	0.14	6,456,764	0.19
Exercisable at year-end	5,066,250	0.14	6,356,764	0.18

The options outstanding at 30 June 2012 had a weighted average exercise price of $0.14, with exercise prices ranging from $0.11 to $0.38 and a weighted average remaining contractual life of 0.56 years.

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indi future tender, which may not eventuate.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

No options were exercised during the year ended 30 June 2012. Included under employee benefits expense in the statement is $4,740 (2011: $276,541) and relates, in full, to equity settled share-based payment transactions.

NOTE 29: EVENTS AFTER THE BALANCE SHEET DATE

On 22 August 2012, Eden announced that it is undertaking a partially underwritten (for $1,500,000) pro-rata non-renounceable rights issue to raise up to $2,956,572.

There were no other material events occurring after the reporting date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 30: FINANCIAL INSTRUMENTS

a. Financial Risk Exposures and Management

The main risks the company is exposed to through its financial instruments are liquidity risk and credit risk.

i. Liquidity Risk

The company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate funding is maintained. The company's operations require it to raise capital on an on-going basis to fund its planned exploration program and to commercialise its tenement assets. If the company does not raise capital in the short term, it can continue as a going concern by reducing planned but not committed exploration expenditure until funding is available and/or entering into joint venture arrangements where exploration is funded by the joint venture partner.

The remaining contractual maturities of the Group financial liabilities are:

	2012 $	2011 $
12 months or less	1,040,957	618,672
1 year or more	-	-
Total	1,040,957	618,672

ii. Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a financial loss to the company. The company has adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

The company does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the company.

iii. Foreign currency risk

The group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the group's measurement currency. At 30 June 2012, the effect on the loss and equity as a result of a 10% increase in the exchange rates, with all other variables remaining constant would be a increase in loss by $128,000 (2011: $138,800) and an decrease in equity by $128,000 (2011: $138,800). The effect on the loss and equity as a result of a 10% decrease in the interest rate, with all other variables remaining constant would be a decrease in loss by $128,000 (2011: $138,800) and an decrease in equity by $128,000 (2011: $138,800).

iv. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The group's minimal exposure to interest rate risk, the only asset / liability affected by changes in market interest rates is Cash and cash equivalents.

b. Financial Instruments

i. **Net Fair Values**

The aggregate net fair values of:

— Financial assets and financial liabilities, at the balance date, are approximated by their carrying value.

NOTE 31: COMPANY DETAILS

The registered office of the company is:

Eden Energy Limited
Level 15
197 St Georges Terrace
Perth Western Australia 6000

The principle places of business is:

Eden Energy Limited
Level 15
197 St Georges Terrace
Perth Western Australia 6000

DIRECTORS' DECLARATION

DIRECTORS' DECLARATION

In the opinion of the directors of Eden Energy Ltd (the "Company"):

a. the financial statements and notes set out on pages 21 to 39, and the Remuneration disclosures that are contained in pages 16 to 18 of the Remuneration Report in the Directors' Report, are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Group's financial position as at 30 June 2012 and of its performance, for the financial year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

   (iii) complying with International Financial Reporting Standards as disclosed in Note 1.

b. the remuneration disclosures that are contained in page 16 to 18 of the Remuneration Report in the Directors' Report comply with Australian Accounting Standard AASB 124 Related Party Disclosures and

c. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Executive Chairman and Chief Financial Officer for the financial year ended 30 June 2012.

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

Gregory H Solomon
Chairman

Dated this 28th day of September 2012

Grant Thornton

Grant Thornton Audit Pty Ltd
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Independent Auditor's Report
To the Members of Eden Energy Limited

Report on the financial report

We have audited the accompanying financial report of Eden Energy Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion

In our opinion:

a the financial report of Eden Energy Limited is in accordance with the Corporations Act 2001, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Material uncertainty regarding continuation as a going concern

Without qualifying our opinion, we draw attention to Note 1 in the financial report which indicates that the consolidated entity incurred a net loss of $7,149,880 during the year ended 30 June 2012 and net cash outflow from operating activities of $1,832,501. These conditions, along with other matters as set forth in Note 1, 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.

Report on the remuneration report

We have audited the remuneration report included in pages 16 to 18 of the directors' report for the year ended 30 June 2012. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Eden Energy Limited for the year ended 30 June 2012, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

P. Warr.

P W Warr
Partner – Audit & Assurance

Perth, 28 September 2012

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following additional information is required by the Australian Securities Exchange Ltd.

1. **Shareholding as at 31 August 2012**

a. **Distribution of Shareholders**

Category (size of holding)	Number Ordinary
1 – 1,000	94
1,001 – 5,000	314
5,001 – 10,000	372
10,001 – 100,000	1,207
100,001 – and over	482
	2,469

b. The number of shareholdings held in less than marketable parcels is 1,834.

c. The names of the substantial shareholders listed in the holding company's register as at 15 September 2012 are:

Shareholder	Number Ordinary
Noble Energy Ltd	62,375,727

d. **Voting Rights**

The voting rights attached to each class of equity security are as follows:

Ordinary shares

— Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

e. **20 Largest Shareholders — Ordinary Shares**

	Name	Number of Shares	% Issued Capital
1.	Noble Energy Limited	55,205,510	16.81%
2.	Noble Energy Limited	11,170,217	3.40%
3.	Mr & Mrs Rogerson & Miss C Rogerson <The Rogerson Super Fund A/c>	9,891,020	3.01%
4.	Citicorp Nominees Pty Ltd	7,921,323	2.41%
5.	Arkenstone Pty Ltd <G H Solomon Family Inv A/c>	4,994,266	1.52%
6.	March Bells Pty Ltd	4,739,700	1.44%
7.	Top Energy Pty Ltd	4,352,846	1.33%
8.	Mr Wayne Kearney & Mrs Robyn Kearney <Kearney Super A/c>	4,326,824	1.32%
9.	Mr Skye Stephen Ackling	4,100,000	1.25%
10.	Uniquest Pty Ltd	3,750,000	1.14%
11.	Mr Boris Duka & Mrs Elizabeth Ann Duka	3,151,000	0.96%
12.	Yelrif Investments Pty Limited <Pension Fund A/c>	2,571,429	0.78%
13.	Mr Roger Marmaro	2,507,290	0.76%
14.	Coote Investments Pty Ltd	2,000,000	0.61%
15.	Mr Philip Buchanan <Buchanan Super Fund A/c>	2,000,000	0.61%
16.	Mr Kwong Yee Wong	1,917,750	0.58%
17.	Mr Leonid Joseph Dobrovolski	1,917,374	0.58%
18.	Madam Biau Luan Tan	1,904,926	0.58%
19.	Harbour Views No 1 Pty Ltd	1,832,401	0.56%
20.	Mr Alex Ferrante <Arrante A/c>	1,599,000	0.49%
		131,852,876	40.14%

2. **Optionholding as at 31 August 2012 (EDEO: $0.20 Expiring 30 June 2014)**

a. **Distribution of Optionholders**

Category (size of holding)	Number of Optionholders
1 – 1,000	135
1,001 – 5,000	224
5,001 – 10,000	124
10,001 – 100,000	241
100,001 – and over	91
	815

b. **20 Largest Optionholders — EDEO**

	Name	Number Options Held	% of Issued Capital
1.	Noble Energy Limited	21,836,865	31.36
2.	Noble Energy Limited	4,002,241	5.75
3.	Mr Skye Ackling	2,100,000	3.02
4	Mr Philip Buchanan <Buchanan Super Fund A/c>	1,989,948	2.86
5.	Tadea Pty Ltd	1,663,847	2.39
6.	Arkenstone Pty Ltd <G H Solomon Family Inv A/c>	1,545,825	2.22
7.	Mr Leonid Joseph Dobrovolski	1,449,611	2.08
8.	March Bells Pty Ltd	1,388,398	1.99
9.	Mr Boris Duka & Mrs Elizabeth Duka	1,250,627	1.80
10.	Mrs Kathleen Mary Eddington <Kathie Eddington No2 S/F A/c>	1,038,750	1.49
11.	Almesh Pty Ltd <Symba Retirement Fund A/c>	923,295	1.33
12.	Yelrif Investments Pty Limited <Pension Fund A/c>	721,429	1.04
13.	Mr Craig Ball & Mrs Suzanne Ball <CPB Super Fund A/c>	590,911	0.85
14.	Mrs Marion Loeb <Marion Loeb Super Account>	556,500	0.80
15.	Taycol Nominees Pty Ltd <211 A/c>	550,000	0.79
16.	Ms Kaye Ann Griffin	500,430	0.72
17.	Mr Peter James Johnston	500,000	0.72
18.	HNC Pty Ltd <The Saggers Super Fund A/c>	486,082	0.70
19.	Bayrain Holdings Pty Ltd < Mitchell Property Fam A/c >	454,545	0.65
20.	Mr Karl Delfmann	433,800	0.62
		43,983,104	63.18

3. **Unquoted Securities – Options as at 31 August 2012**

Holder Name	Date of Expiry	Exercise Price	Number on issue	Number of holders
Directors	20 November 2012	$0.10625	4,000,000	4
Employee Share Options	14 May 2013	$0.20	185,000	7
Employee Share Options	26 May 2013	$0.385	500,000	1
Employee Share Options	14 May 2014	$0.20	281,250	11
			4,966,250	23

Tenement Schedule as at 31 August 2012

Country/State	Licence Type	Number	% Interest	Holder	Locality
SA	PEL	183[1]	100	Eden Energy Ltd	Marree
SA	PELA	240	100	Eden Energy Ltd	Marree
Wales, UK	PEDL	100	50	Adamo Energy (UK) Ltd	Pencoed - Port Talbot
Wales, UK	PEDL	148	50	Adamo Energy (UK) Ltd	Upper Neath Valley
Wales, UK	PEDL	149	50	Adamo Energy (UK) Ltd	Lower Neath Valley
Wales, UK	PEDL	212	100	Adamo Energy (UK) Ltd	Neath
Wales, UK	PEDL	214	50	Adamo Energy (UK) Ltd	Swansea
Wales, UK	PEDL	215	50	Adamo Energy (UK) Ltd	Neath
Wales, UK	PEDL	216	50	Adamo Energy (UK) Ltd	Cowbridge
Wales, UK	PEDL	217	50	Adamo Energy (UK) Ltd	Cowbridge
Wales, UK	PEDL	218	50	Adamo Energy (UK) Ltd	Pontypridd
Wales, UK	PEDL	219	50	Adamo Energy (UK) Ltd	Cowbridge
Wales, UK	PEDL	220	50	Adamo Energy (UK) Ltd	Pontypridd
Wales, UK	PEDL	221	100	Adamo Energy (UK) Ltd	Pontypridd
Wales, UK	PEDL	223	100	Adamo Energy (UK) Ltd	Pontypridd
England, UK	PEDL	226	50	Adamo Energy (UK) Ltd	Bristol
England, UK	PEDL	227	50	Adamo Energy (UK) Ltd	Bristol
England, UK	PEDL	228	50	Adamo Energy (UK) Ltd	Bristol
England, UK	PEDL	249	50	Adamo Energy (UK) Ltd	Ayleshan
England, UK	PEDL	250	50	Adamo Energy (UK) Ltd	Ayleshan
England, UK	PEDL	251	50	Adamo Energy (UK) Ltd	Deal
England, UK	PEDL	252	50	Adamo Energy (UK) Ltd	Deal

[1] - The financial commitments on this tenement has been suspended at Eden's request