Eden Energy Ltd

(ABN 58 109 200 900)

and Controlled Entities

Interim Financial Report
for the
Half-Year Ended 31 December 2010

CONTENTS

HIGHLIGHTS

Pyrolysis Project – University of Queensland

- **Eden acquired the 50% interest in the pyrolysis project and the gas to liquids project held by the University of Queensland (thereby moving Eden to 100% ownership) in consideration of the issue of 3.75 million Eden shares.**
- **Scale-up process is underway at Eden's US subsidiary, Hythane Company, where a catalyst production facility has been built and is operating and two scaled-up units, one for batch production and the other for continuous production have been designed, built and commissioned.**
- **Encouraging production results of both carbon nanofibres, multi walled carbon nanotubes and hydrogen received from first batch production unit using catalyst produced by Eden in US.**
- **First continuous production unit has been designed, built and has produced what appear to be good quality carbon fibres and carbon nanotubes which are being further assessed.**
- **Planning underway for designing and building in US a commercial scale production unit in 2011.**

OptiBlend® Dual Fuel Project

- **Eden appointed by Woodward Governor as a recognised engine retrofitter ("RER") for dual fuel engines in India.**
- **Eden India completed the successful installation of an Optiblend® kit for a 1,250KVA Cummins K50 generator in Mumbai and it has achieved 58% displacement of diesel at 50% load. Displacement of up to 70% is expected at higher loads.**
- **Eden India has received another order for a Optiblend® kit from a major machinery manufacturer and potentially another 10 kits to follow.**

Hythane® Project

- **Collaboration agreement signed with the Automotive Research Association of India ("ARAI").**
- **On-going discussions with various parties in India for initial Hythane® bus trials in 2011.**

United Kingdom Coal Bed Methane / Natural Gas

- **Negotiations commenced with potential joint venture partners for Eden's coal bed methane, natural gas and geothermal energy projects.**
- **UK Coal Bed Methane joint venture completes initial review and plans are being considered to develop several pilot production wells over the next three years.**

Geothermal Energy / Australian Natural Gas Target

- **Eden sold its remaining 30% interest in GEL 185 to Origin Energy for a further $700,000.**

Corporate

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

CORPORATE DIRECTORY

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

COMPANY SECRETARY:
Aaron P Gates **B.Com, CA, ACIS**

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Perth WA 6000

Minter Ellison
1 King William Street
Adelaide SA 5000

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

SHARE REGISTRY:
Advance Share Registry Services
150 Stirling Highway
Nedlands WA 6009

STOCK EXCHANGE LISTING:
ASX Code: EDE (ordinary shares)

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

REVIEW OF OPERATIONS

PYROLYSIS PROJECT (EDEN 100%)

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 likely to possess significant electrical capacity opening up potential for use in a wide range of applications 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.

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

Initial Scale-up in USA

In July 2010 staff from Eden's wholly owned subsidiary, Hythane Company visited the University of Queensland meeting the engineers involved in developing the technology. Upon return from Queensland, Hythane Company completed the procurement and installation of the equipment required for the initial scale-up. Hythane Company has built a catalyst production laboratory in US and catalysts for production of multi-walled carbon nanotubes (MWCNT) and carbon nanofibres (CNF) have been produced and tested confirming their quality.

High Quality Hydrogen/ Carbon Production at US Facility

Since July 2010, the first scale-up of a batch production unit was designed and built by Hythane Company in US and is producing hydrogen and MWCNT or CNF (depending upon the particular catalyst that is used). This unit has an output capacity approximately 25 times larger than the original laboratory scale unit that was used at UQ. This US built unit has now been successfully trialed and produced hydrogen and either MWCNT or CNF on a batch basis, with stable, production levels for both forms of carbon being achieved. The quality and quantity of the MWCNT and CNF were measured and tested using high technology techniques including TEM (Transmission Electron Microscope) photography and Raman Spectroscopy and the results to date of both the quality and the quantity of all carbon products are very encouraging. Two photographs and three TEM images of carbon nanotubes that have been produced by Hythane Company in US are attached (Figures 1-5).

First Prototype Continuous Production Unit Completed in US

During the period Hythane Company also completed the design and manufacture of its first, relatively small, prototype continuous production unit which has the capacity to produce up to 10 tonnes of carbon fibre per annum or up to 3 tonnes per annum of MWCNT. This unit is now successfully operating utilizing catalysts produced by Hythane Company and the carbon fibres and the carbon nanotubes that have been produced have been analysed and samples sent off for commercial assessment and testing. Eden anticipates that testing and final optimisation of the first prototype continuous production unit will be completed in early 2011.

Small Commercial Scale Continuous Production Unit Planned in US

The second stage of the scale-up, to build a prototype of a modest sized, commercial scale, continuous production unit, will commence in the first quarter of 2011with a target completion date of the end of 2011. This unit is planned to be significantly larger than the first prototype unit that has already been successfully trialed, and is presently planned to have an output capacity of between 25-100 tonnes per annum of carbon nanotubes.

Growth of Carbon Nanotube and Carbon Fibre Market

There is a new but rapidly growing commercial market for these forms of solid carbon, particularly for carbon nanotubes, with current wholesale prices ranging from between US$300- $700 per kilogram and up to $4000 per kilogram depending primarily upon the type of carbon nanotubes but also on the size of the order. As an indication of anticipated market growth, one major international chemical manufacturer, Bayer Material Science, reports on its website that in 2009 it was designing a pilot scale unit with capacity to produce 200 tonnes per year of carbon nanotubes and its vision is to build a 3000 tonnes per annum capacity, production scale unit, possibly in 2011. They also state that tests have shown that when 1% of their carbon nanotubes are mixed with concrete it increases its compressive strength by up to 45%.

Timetable

It is planned that the commercial scale-up process will be completed by the end of 2011 or during the first half of 2012, at which time Eden projects that, subject to satisfactory resolution of any technical difficulties that may arise, it will have both a catalyst production capability and a fully developed pyrolysis production technology that together will enable Eden to produce and market commercial quantities of high quality, low cost hydrogen and carbon nanotubes and/or carbon fibres, which the company intends to market on a widespread basis.

Summary

Eden is well on the way to developing an efficient, commercially competitive process that will enable Eden to produce and market the carbon itself, or else licence others to use its technology.

Additionally, the only other major by-product from Eden's pyrolysis process is hydrogen, the real cost of which will be dependent upon the value of the carbon produced. The quantity of hydrogen produced will be 33.33% (by weight) of the quantity of carbon produced and this can be captured fed into the various hydrogen/Hythane® applications that Eden has been developing around the world, with the intention of accelerating the commercial rollout of these downstream hydrogen applications based on the prospect of relatively low cost hydrogen. The current cost of hydrogen is one of the major factors holding back a broader rollout of hydrogen technology. Of further interest, the hydrogen produced using the Eden pyrolysis process will generate only a relatively small amount of greenhouse gas as a by-product of the production process compared with most other currently available methods of hydrogen production, and in consequence it is projected that the hydrogen will be both commercially competitive and extremely environmentally acceptable.

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® is used in place of natural gas, the displacement of diesel fuel could be as high as 80%. The use of the natural gas will greatly reduce greenhouse gas emissions and, in places where natural gas is cheaper than diesel, will also reduce fuel costs. In various parts of India, available natural gas is already significantly cheaper than diesel, and accordingly Eden has been targeting a diversified market for this technology, starting with stationary power generators and then locomotives.

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

Indian Optiblend® Sales

During the half year Eden completed the installation of an Optiblend® kit for a 1,250KVA Cummins K50 generator based in Mumbai, which will help open up a very large potential market in Western and Northern India where natural gas is now becoming available. This unit achieved very good results included 58% displacement of diesel by natural gas at 50% load, which was the maximum load required by the customer. Displacement of up to 70% of the diesel fuel with natural gas is anticipated at loads of up to 80%.

Another order was received for a 1,250KVA Optiblend® kit was received from a major machinery manufacturer in Northern India, inn addition the two more sales of Optiblend® kits to Assam tea plantations were secured during the last quarter. These sales to Assam tea plantations are to the same customer as the first three Optiblend® kits sold by Eden in India.

Eden continues to receive a significant number of strong enquiries for the Optiblend® kits in India and these are awaiting the rollout of natural gas pipelines over the next few years. Currently it is estimated that this rollout is starting at a rate of about 1 new city per month, on top of the more than 20 cities that already have a natural gas distribution network.

US Optiblend® Sales

During the period Eden, through its US subsidiary, Hythane Co, continued marketing the Optiblend® kit in US and has received encouraging enquiries for the kit which it is hoped will translate into sales during the next 6 months.

HYTHANE® (EDEN 100%)

Mumbai Hythane® Bus Demonstration Project

During the six months, discussions continued for the proposed Mumbai Hythane® bus demonstration project with GAIL (India) Ltd ("GAIL"), Mahanagar Gas Ltd ("MGL") and BEST.

GAIL (Gas Authority of India) is the largest distributor of Natural Gas in India. MGL is a joint venture company jointly owned by GAIL (49.75%), BG Group (49.75%) and the Government of Maharashtra (0.5%), which owns and operates pipelines and markets Natural Gas in and around the Mumbai area to a broad commercial, domestic and industrial customer base of more than 25 million people and is keen for the planned Hythane® demonstration project to proceed.

The demonstration project in Mumbai will involve Eden establishing a Hythane® refuelling station at a suitable bus depot to fuel buses, progressively increasing to 50-70 buses. The proposed bus depot in Mumbai is operated by BEST, the state owned Mumbai bus operator that operates more than 4,000 buses, half of which are already using natural gas and all of which are planned to be operating on natural gas within the next three years. MGL supplies BEST with all its natural gas requirements. However, although agreement had been reached and the project was underway, following recent changes in management personnel at BEST, renewed negotiations with BEST on the project details were required and are still underway, slowing this project whilst new management become comfortable with the details and embraces the project. As a result, the project has been delayed and it is now hoped that subject to resolution of this delay, it will be operating some time during 2011, but further details will be announced as they become clearer.

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

Background- Hythane® in India

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

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

San Francisco International Airport (SFO)

Since 31 December 2010, Eden was advised that the final funding required for this project had been awarded, and subject to finalization of the lease agreement for the site, it is hoped that construction may begin early 2011. If this happens, both the hydrogen and Hythane® stations are now likely to be completed and operational during the first half of 2011. Again, whilst there has been an undesired delay in this project, never the less progress does now seem to be being achieved and Eden is hopeful that this project will now proceed.

For this project, Hythane Company has received funding for station infrastructure as well as the conversion of potentially up to 27 Ford E-450 airport shuttles to run on Hythane®. Unfortunately, because of the delay in this project, funding is currently now available for only the first 13 Hythane® vehicles. The project will demonstrate the commercial practicality of Hythane® vehicles for large-scale projects across the US particularly in smog prone areas where lower emissions are required.

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

SOUTH WALES COAL BED METHANE PROJECT (EDEN 100%)

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

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

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

A claim has been made against Eden by Ticora Geosciences Inc ('Ticora"), the company that carried out permeability and desorption testing for Eden in 2007-8 in UK, for the unpaid portion of its bill (US$786,191) for this testing. Eden disputes the claim and in turn has counterclaimed against Ticora for damages resulting from the alleged negligence of Ticora in carrying out the permeability testing on the second well, and claims a right of setoff. This dispute is scheduled to be determined by the UK courts during 2011 if not previously settled.

AUSTRALIAN NATURAL GAS AND GEOTHERMAL PROJECTS (EDEN 100%)

During the half year, Eden sold its remaining 30% interest in GEL 185 to Origin Energy for a further $700,000. Eden received a total of $1.7million from the sale of its entire interest in GEL 185.

Eden has secured a voluntary suspension on its work commitments on all of its geothermal licences. This is given Eden time to find a suitable partner / cornerstone investor to progress this project. Eden also secured a suspension of licence on its South Australian Natural Gas licence.

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated group for the half-year ended 31 December 2010.

Directors

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

Mr Gregory H Solomon

Mr Douglas H Solomon

Mr Guy T Le Page

Richard J Beresford

Review of Operations

The net loss after income tax for the half year was $5,248,577 (2009: $476,138).

A review of the operations of the Group during the half-year ended 31 December 2010 is set out in the Review of Operations on Page 5.

Auditor's Declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 10 for the half-year ended 31 December 2010.

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

Director ______________________

Gregory H Solomon

Dated this 16th day of March 2011

Grant Thornton

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Eden Energy Limited for the half-year ended 31 December 2010, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M J Hillgrove
Director – Audit & Assurance

Perth, 16 March 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Note	Consolidated Group	
		31 Dec 2010	31 Dec 2009
		$	$
Revenue		82,675	214,242
Other income		239,088	46,175
Raw materials and consumables used		(47,124)	(114,184)
Accounting and audit expense		(46,713)	(39,138)
Advertising and marketing expense		(2,019)	-
Depreciation and amortisation expense		(26,449)	(28,317)
Employee benefits expense		(672,501)	(903,530)
Finance costs		(37)	(40)
Foreign exchange gain/(loss)		(4,983)	96,461
Gain on sale of non-current assets		620,106	865,498
Impairment expense	3	(4,792,187)	(98,464)
Legal and other consultants expense		(262,376)	(142,882)
Research and development expenditure		(44,250)	(51,750)
Rent expense		(51,056)	(46,336)
Travel and accommodation expense		(98,335)	(95,881)
Warranty expense		-	(474)
Other expenses		(142,416)	(177,518)
Loss before income tax		(5,248,577)	(476,138)
Income tax expense		-	-
Loss for the period		(5,248,577)	(476,138)
Other Comprehensive Income			
Exchanges differences on translating foreign operations		(255,464)	(194,030)
Income tax relating to other comprehensive income		-	-
Total other comprehensive income, after tax		(255,464)	(194,030)
Total Comprehensive Income / (Loss)		(5,504,041)	(670,168)
Basic earnings per share (cents per share)		(4.1813)	(0.2624)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	Note	Consolidated Group	
		31 Dec 2010	30 Jun 2010
		$	$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		1,503,790	1,050,288
Trade and other receivables		734,486	1,118,404
Inventories		285,287	369,913
Other current assets		80,909	74,696
TOTAL CURRENT ASSETS		2,604,472	2,613,301
NON-CURRENT ASSETS			
Trade and other receivables		708,096	718,878
Financial assets		778,648	701,521
Property, plant and equipment		140,099	178,786
Intangible assets	4	5,264,424	9,583,118
Exploration and evaluation		100,002	144,896
TOTAL NON-CURRENT ASSETS		6,991,269	11,327,199
TOTAL ASSETS		9,595,741	13,940,500
CURRENT LIABILITIES			
Trade and other payables		321,286	305,237
Provisions	6	672,290	1,030,610
TOTAL CURRENT LIABILITIES		993,576	1,335,847
TOTAL LIABILITIES		993,576	1,335,847
NET ASSETS		8,602,165	12,604,653
EQUITY			
Issued capital	7	43,847,307	42,345,754
Reserves		1,801,334	2,056,798
Retained earnings		(37,046,476)	(31,797,899)
TOTAL EQUITY		8,602,165	12,604,653

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Share Capital				
	Ordinary	Option Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	$	$	$	$	$
Balance at 1 July 2009	42,192,124	1,835,975	255,613	(29,138,369)	15,145,343
Options issued during the period	-	182,400	-	-	182,400
Total other comprehensive income	-	-	(194,030)	(476,138)	(670,168)
Subtotal	42,192,124	2,018,375	61,583	(29,614,507)	14,657,575
Dividends paid or provided for	-	-	-	-	-
Balance at 31 December 2009	42,192,124	2,018,375	61,583	(29,614,507)	14,657,575
Balance at 1 July 2010	42,345,754	2,035,781	21,017	(31,797,899)	12,604,653
Shares issued during the period	1,501,553	-	-	-	1,501,553
Total other comprehensive income	-	-	(255,464)	(5,248,577)	(5,504,041)
Subtotal	43,847,307	2,035,781	(234,447)	(37,046,476)	8,602,165
Dividends paid or provided for	-	-	-	-	-
Balance at 31 December 2010	43,847,307	2,035,781	(234,447)	(37,046,476)	8,602,165

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Note	Consolidated Group	
		31 Dec 2010	**31 Dec 2009**
		$	**$**
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		236,763	255,247
Payments to suppliers and employees		(1,531,071)	(1,652,652)
Interest received		25,327	46,175
Finance Costs		-	-
Net cash provided by (used in) operating activities		(1,268,981)	(1,351,230)
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration expenditure		(169,801)	(107,831)
Payment for development of intangibles		(220,839)	(291,740)
Purchase of property, plant and equipment		(5,782)	(383)
Proceeds from sale of exploration interest		700,000	1,000,000
Proceeds from sale of subsidiaries		200,000	370,000
Net cash provided by (used in) investing activities		503,578	970,046
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from shares issued		1,275,553	-
Net cash provided by (used in) financing activities		1,275,553	-
Net increase/(decrease) in cash held		510,150	(381,184)
Net increase/(decrease due to foreign exchange movements		(56,648)	(35,537)
Cash at beginning of period		1,050,288	3,059,628
Cash at end of period		1,503,790	2,642,907

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

NOTE 1: BASIS OF PREPARATION

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2010 and any public announcements made by Eden Energy Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*. The half-year report does not include full disclosures of the type normally included in an annual financial report.

a) Going Concern

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

The Group has reported a net loss for the period of $5,248,577 (including the write down of $4,682,783 in the carried forward value of the Hythane® intellectual property) and a cash outflow from operating activities of (1,268,981).

The directors are confident that the Group will be able to continue as a going concern however these conditions indicate the need to raise additional working capital in the near future. The directors have a reasonable expectation that the Group will be able to arrange adequate resources to continue in operation for the foreseeable future. In addition the Group actively manages the level of discretionary expenditure in line with the funds available to the Group. Accordingly they have continued to adopt the going concern basis in preparing the half-year financial statements.

b) Accounting Policies

The accounting policies have been consistently applied by the entities in the consolidated group and are consistent with those in the June 2010 financial report except for the adoption of the following new and revised Accounting Standards.

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

c) 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 over a ten year period with a 50% discount rate to recognise the inherent risk.
- The forecast provides for the number of installed stations increasing in the first few years until expected capacity is reached and there after remaining constant, based on projected market penetration.
- Costs have been based on historical amounts adjusted for CPI increase and improvements in margins based on internal efficiencies.
- That the Company will be able to secure suitable funding to complete the project as forecasted

An amount of $4,682,783 has been recognised as impairment in respect of intellectual property for the half-year ended 31 December 2010.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

NOTE 2: RELATED PARTY TRANSACTIONS

	2010 $	2009 $
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:		
a. Key Management Personnel		
Management fees and administration fees paid to Princebrook Pty Ltd, a company in which Mr GH Solomon and Mr DH Solomon have an interest.	97,335	97,335
Legal and professional fees paid to Solomon Brothers, a firm of which Mr GH Solomon and Mr DH Solomon are partners.	111,358	6,606

NOTE 3: IMPAIRMENT EXPENSE

	2010 $	2009 $
Impairment of Intangible Assets	(4,682,782)	-
Impairment of Trade and other receivables	(105,568)	-
Impairment of Exploration and evaluation expenditure	(3,837)	(98,464)
	(4,792,187)	(98,464)

	Note	Dec 2010 $	Jun 2010 $
NOTE 4: INTANGIBLE ASSETS			
Intellectual property		9,947,207	9,583,118
Accumulated impaired losses		(4,682,783)	-
Net carrying value		5,264,424	9,583,118
Balance at the beginning of the period		9,583,118	9,168,119
Additions		364,089	414,999
Accumulated impaired losses		(4,682,783)	-
Carrying amount at the end of the period		5,264,424	9,583,118

Intellectual property relates mainly to Hythane® trademarks and engineering knowledge. Hythane® is a registered trademark of Eden Innovations Ltd, a controlled entity of Eden Energy Ltd.

During the period the directors completed an impairment review of the Group's intangible assets. The board is very confident that Hythane® will be successful in due course, especially with the latest progress on the Pyrolysis project. However given the slow progress in both India and the US due to a number of factors beyond Eden's control, the board has reassessed some of the assumptions used in the value in use calculation for Hythane®. This assessment has resulted in an impairment loss of $4,682,783 being recognised. No impairment losses have been recognised against any of the intangible assets relating to Optiblend® or the Pyrolysis technology.

NOTE 5: SEGMENT INFORMATION

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

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

The above segments are not aggregated.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

NOTE 5: SEGMENT INFORMATION CONTINUED

	Terratherma Ltd	Hythane Co LLC	Eden Energy (UK) Ltd	Eden Energy India Pvt Ltd	Eliminations	Economic Entity (Continuing Operations)
	$	$	$	$	$	$
31 December 2010						
Total external revenue	-	74,268	-	8,407		82,675
Inter-segment revenue	-	269,942	-	-	(269,942)	-
Total segment revenue	-	344,210	-	8,407	(269,942)	82,675
Segment profit / (loss) result	77,128	(646,528)	(3,637)	(84,249)	(104,808)	(762,094)
Unallocated expenses						(4,511,028)
Result from operating activities						(5,273,122)
Interest revenue						24,545
Interest expense						-
Income tax expense						-
Loss after income tax						(5,248,577)
31 December 2010						
Segment Assets	-	719,996	782,981	74,704	(61,120)	1,516,561
Unallocated assets						8,079,180
Total Assets						9,595,741
Capital expenditure	-	-	77,127	-	-	77,127
Depreciation	-	20,843	-	1,263	-	22,106
31 December 2009						
Total external revenue	-	205,804	-	8,438	-	214,242
Inter-segment revenue	-	219,824	-	-	(219,824)	-
Total segment revenue	-	425,628	-	8,438	(219,824)	214,242
Segment profit / (loss) result	749,186	(644,726)	(1,974)	(84,789)	(21,496)	(3,799)
Unallocated expenses						(518,516)
Result from operating activities						(522,315)
Interest revenue						46,175
Interest expense						-
Income tax expense						-
Loss after income tax						(476,140)
30 June 2010						
Segment Assets	-	949,494	701,521	47,605	(88,092)	1,610,528
Unallocated assets						12,329,972
Total Assets						13,940,500
Capital expenditure	4,450	7,391	122,020	2,898	-	136,759
Depreciation	-	44,392	-	2,113	-	37,752

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

NOTE 6: PROVISIONS

Provision as at 31 December 2010 includes a balance of $600,000 in relation to a claim which has been made against Eden by Ticora Geosciences Inc ('Ticora"), the company that carried out permeability and desorption testing for Eden in 2007-8 in UK, for the unpaid portion of its bill (US$786,191) for this testing. Eden disputes the claim and in turn has counterclaimed against Ticora for damages resulting from the alleged negligence of Ticora in carrying out the permeability testing on the second well, and claims a right of setoff. This dispute is scheduled to be determined by the UK courts during 2011 if not previously settled.

		Dec 2010 $	Jun 2010 $
NOTE 7: ISSUED CAPITAL			
213,989,654 (30 June 2010: 183,539,654) fully paid ordinary shares		43,847,307	42,345,754
		43,847,307	42,345,754
a.	**Ordinary shares**		
	At the beginning of reporting period	183,539,654	181,458,422
	Shares issued – prior year	-	2,081,232
	Shares issued during the periodr		
	— 24 August 2010	3,750,000	-
	— 4 October 2010	25,930,000	-
	— 21 December 2010	770,000	-
	At reporting date	213,989,654	183,539,654

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

ii. On 24 August 2010 the company issued 3,750,000 ordinary shares to acquire the 50% rights in the Pyrolysis Project and Gas to Liquids project that was held by the University of Queensland.

iii. On 4 October 2010 the company issued 25,930,000 ordinary shares at $0.05 pursuant to a share purchase plan.

ii. On 21 December 2010 the company issued 770,000 ordinary shares to a consultant.

NOTE 8: CONTINGENT LIABILITIES

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

NOTE 9: EVENTS SUBSEQUENT TO BALANCE DATE

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

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 12 to 18:
   a. comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations; and
   b. give a true and fair view of the economic entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Director

Gregory H Solomon

Dated this 16th day of March 2011

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

We have reviewed the accompanying half-year financial report of Eden Energy Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Eden Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Eden Energy Limited is not in accordance with the Corporations Act 2001, including:

a giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and

b complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

Significant uncertainty regarding the carrying value of intangible assets

Without qualification to the above conclusion attention is drawn to the following matter. As disclosed in Note 1 to the financial statements, within non-current assets, the consolidated entity has intellectual property with a carrying value as at 31 December 2010 of $5,264,424.

The directors have prepared value in use calculations in assessing the recoverable amounts of these assets on the basis of the key estimates as outlined in Note 1 to the financial statements. Key estimates include the number of installed stations increasing in the first few years until expected capacity is reached and thereafter remaining constant, based on market penetration and the consolidated entity's ability to source additional capital injections in the future to enable the further development of the intellectual property. The estimates and assumptions within the value in use calculation have a significant risk of being different to actual outcomes due to change in economic or market conditions and / or due to events beyond the control of management and hence there is significant uncertainty regarding the carrying value of the intangible asset. Should the estimates and assumptions within the value in use calculation not be achieved this may result in an impairment of the asset to the extent the recoverable is less than the carrying value.

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GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M J Hillgrove
Director - Audit & Assurance

Perth, 16 March 2011