

EDEN ENERGY LTD

ACN 109 200 900

ASX Quarterly Report For the Period Ended 30 June 2012

HIGHLIGHTS

Corporate

- Facility agreement with La Jolla Cove Investors LLC terminated by Eden
- Cash flow being generated from OptiBlend® sales and sale of surplus natural gas equipment
- Non-renounceable, pro-rata rights issue planned to raise \$2-4 million

Pyrolysis Project - Carbon Nanotubes/ Carbon Nanofibres/ Hydrogen

- 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 is likely to be suitable for production of high strength cement paste

OptiBlend® Dual Fuel Project

- During the quarter, a total of nine OptiBlend® kits were sold - eight in USA and one in India
- Expansion into South American market, first OptiBlend® kit being sent for trials

Dedicated Syngas Generator Set Development

- Hythane Co continued development of new dedicated hydrogen / syngas gensets

UK Gas Assets

- Eden is actively pursuing alternatives for a proposed sale/spin-out of its significant UK gas assets

For personal use only

1 CORPORATE AND FINANCIAL MATTERS

La Jolla Cove Investors LLC

In consequence of a repudiation of the facility agreement by La Jolla Cove Investors llc (“La Jolla”), Eden has 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 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).

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.

Sale of Optiblend® Kits and Surplus US Gas Equipment

During the quarter, Eden, through its US subsidiary, continued to generate an increasing amount of revenue from the sale of its Optiblend® kits in the US and also commenced the sale of a quantity of used natural gas storage tanks and compressors that it purchased a number of years ago and has held since then.

These planned equipment sales are hoped to generate, in addition to the Optiblend® sales revenue, up to several hundred thousand dollars which will assist Eden is meeting its current cash flow obligations, whilst the proposed rights issue is completed.

Proposed Non-Renounceable Pro-Rata Rights Issue

As the La Jolla facility agreement is now terminated, Eden is planning a non-renounceable, pro-rata rights issue to raise between \$2-4 million for additional working capital, and as soon as the details are resolved, they will be announced and all shareholders will be offered the right to participate on a pro-rata basis.

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.

2 CARBON, HYDROGEN, DUAL FUEL and HYTHANE®

Pyrolysis Project (Eden 100%)

Market progress

During the quarter, Eden and its US subsidiary continued its efforts to develop suitable large scale commercial markets for its nano-carbon products.

Concrete

During the quarter, 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 have not been sufficiently reliable, 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 to be developed and marketed commercially, as well as exploring the development of a range of additional applications. These developments offer real encouragement that Eden could open up a very large market for its nano-carbon products over the next few years.

This is a potentially very significant development for Eden because not only does it open an opportunity to find a way to use large quantities of nano-carbon, but the test work done by the third party has confirmed the likely suitability for these purposes of the nano-carbon produced by Eden.

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

Eden recently supplied samples to a commercial operator in India for initial trials. However no further sales or breakthroughs were achieved during the quarter.

Medical Applications

During the quarter Eden received interest from an organisation interested in using the carbon produce by Eden for medical application. Eden has supplied samples to this organisation for trials.

Summary

Eden is on the way to completing the development of an efficient, commercially competitive production process that should enable Eden to produce significant quantities of commercially suitable qualities of 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 nan-carbon per year.

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

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

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

OptiBlend® Dual Fuel System (Eden 100%)

US OptiBlend® Sales

During the quarter, 8 units were sold in USA and importantly, one of these sales was to a new market sector which will hopefully lead to more sales in that sector. The level of interest in OptiBlend® in the US continues to increase and Eden has been busy keeping up with the demand for quotes on its kits.

During the quarter 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.

The OptiBlend® market is dependent on there being a price differential between natural gas and diesel fuel, and during the quarter, 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® Progress

During the quarter, Eden received an order for another OptiBlend® unit in India which is planned to be commissioned in the September quarter.

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

Although many other developing countries facing the same dilemma have increased their diesel prices, it has not yet happened in India and until this situation changes in India, Eden does not anticipate that it will be able to achieve many sales in India and realise the very significant Indian market potential that its OptiBlend® kit has. In the meantime Eden India continues to explore other regional markets for OptiBlend® where this situation does not exist.

Optiblend® Background

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

As lower priced natural gas, which is much cleaner than diesel, becomes more widely available, a large market in both USA and India for the conversion of these diesel engines to operate on a dual-fuel system of both natural gas and diesel is anticipated. Depending upon the size of the engine and the number of hours per day that it operates, payback times for the conversions are often less than 12 months, so the cost is minimal compared to the replacement cost of a natural gas generator.

Syngas Generator Sets

Following requests from major potential US customers, Eden Energy's US subsidiary, Hythane Company, has begun development of a spark-ignited engine conversion system to allow operation on hydrogen-rich renewable biogas. No significant progress was made on this during the quarter.

Hythane®

Indian Hythane® Project

Mumbai and Gujarat Hythane® Bus Demonstration Projects

During the quarter, discussions continued with GAIL and GSPC in relation to these proposed projects in Delhi and Gujarat.

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

If commercial scale hydrogen production, using Eden's new pyrolysis process is available and a market for the nano-carbon can be found, it would greatly increase the chances of developing a large Hythane® market in India as the cost of the hydrogen can be underpinned by the value of the carbon that is produced.

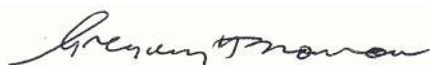
Whilst no significant progress was made on these Indian Hythane® projects during the quarter, there remain definite signs of an increased level of interest from the Indian Government to proceed with both its hydrogen projects and the proposed HCNG programme, and Eden remains hopeful that these projects will proceed during the next 6-12 months.

3 UK GAS PROJECT

Eden holds a 50% interest in 17 PEDLs in South Wales, Bristol/Somerset and Kent and a 100% interest in 3 other licences, covering a total area of more than 2,100 square kilometres (approximately 510,000 acres) and taking in very large portions of the coal fields and surrounding basins in these three areas of the UK, all of which have significant potential for both coal seam methane and shale gas.

As with the US shale gas market, the possible environmental issues associated with shale gas production are currently being reviewed by the UK government, and until this review is completed and approval of the necessary extraction techniques is obtained, little development in the UK shale gas market is likely. One recently published UK government sponsored review has given qualified support to the shale gas industry, subject to suitable environmental safeguards being implemented, which is an encouraging development. However, the UK government review will be need to be completed before this matter is resolved.

During the quarter Eden undertook negotiations with a number of parties in relation to various possible ways for Eden to realise the potential value of its UK gas interests, however due to the current market conditions no agreement has been reached to date although negotiations are continuing.



Gregory H Solomon

Executive Chairman

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

Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

EDEN ENERGY LTD

ABN

58 109 200 900

Quarter ended ("current quarter")

30 June 2012

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to June (12 months) \$A'000
1.1 Receipts from product sales and related debtors	96	296
1.2 Payments for (a) exploration & evaluation	(145)	(879)
(b) development	-	-
(c) production	-	-
(d) administration	(59)	(577)
(e) other	(545)	(3,872)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	3	24
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	133	238
Net Operating Cash Flows	(517)	(4,770)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	(386)
(b) equity investments	-	-
(c) other fixed assets	-	(63)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	-	(449)
1.13 Total operating and investing cash flows (carried forward)	(517)	(5,219)

Notes

1.2e Other – Payments to suppliers and employees by Eden's wholly owned subsidiaries; Eden Energy India Pvt Ltd and Hythane Co LLC which are trading companies and these payments mainly consist of payments for cost of goods sold, research & development, inventory and overheads. It also includes non-administrative legal fees and the payment payment of US\$1.2 million as settlement of the Omni litigation in the second quarter of FY12.

1.7 Other – Relates to R&D Tax Rebates received by the company and reimbursement of funds helds as security for bank guarantees

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(517)	(5,219)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	1,982
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	491	1,461
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	491	3,443
	Net increase (decrease) in cash held	(26)	(1,776)
1.20	Cash at beginning of quarter/year to date	239	2,002
1.21	Exchange rate adjustments to item 1.20	(10)	(23)
1.22	Cash at end of quarter	203	203

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	-
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

-

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

-

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

-

Financing facilities available

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

For personal use only

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	100
4.2	Development	-
4.3	Production	-
4.4	Administration	100
4.5	Other	300
Total		500

4.5 Other – Payments to suppliers and employees by Eden's wholly owned subsidiaries; Eden Energy India Pvt Ltd and Hythane Co LLC which are trading companies and these payments relate to payments for cost of goods sold, research & development, inventory and overheads. These estimated outflows may be partially offset by cash receipts from sales of goods and services.

The Company has announced it is planning a non-renounceable, pro-rata rights issue to raise \$2-4 million

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	203	239
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	203	239

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	GEL 169	Direct	100%	0%
	GEL 329	Direct	100%	0%
	GEL 330	Direct	100%	0%
	GEL 411-422	Direct	100%	0%
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

For personal use only

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference + securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	328,507,995	328,507,995		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	3,369,796 2,631,579 1,175,018 2,808,989 4,870,130 3,703,704 4,504,505 5,319,149	3,369,796 2,631,579 1,175,018 2,808,989 4,870,130 3,703,704 4,504,505 5,319,149	2.23 cents 1.90 cents 3.60 cents 1.78 cents 1.54 cents 1.35 cents 1.11 cents 0.94 cents	2.23 cents 1.90 cents 3.60 cents 1.78 cents 1.54 cents 1.35 cents 1.11 cents 0.94 cents
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	4,000,000 310,000 500,000 331,250 69,640,963	NIL NIL NIL NIL 69,640,963	<i>Exercise price</i> 10.625 cents 20 cents 38.5 cents 20 cents 20 cents	<i>Expiry date</i> 20 Nov 2012 14 May 2013 26 May 2013 14 May 2014 30 June 2014
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter	500,000 310,000	NIL NIL	58.5 cents 20 cents	5 April 2012 14 May 2012
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

For personal use only

Compliance statement

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

Sign here:


(Company secretary)

Date: 31 July 2012

Print name: Aaron Gates

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

== == == == ==

+ See chapter 19 for defined terms.

For personal use only