



EDEN ENERGY LTD

ACN 109 200 900

ASX Quarterly Report

For the Period Ended 31 December 2012

HIGHLIGHTS

Optiblend™ Dual Fuel Project

- During the quarter, orders were received in USA for a total of three Optiblend™ kits, and in the first two weeks of January 2013 a further two orders were received.
- Eden now has its Optiblend™ kits being trialled by a number of major companies involved in US shale gas exploration and production.
- The US dual fuel kit market continues to grow, particularly around the US shale gas market where they are being used on both drilling rigs and fracking trucks.
- Eden has a significant number of outstanding quotations to supply Optiblend™ kits to a range of US industries including shale gas exploration and production.
- During the quarter, orders were received in India for a total of three Optiblend™ kits.
- The Indian Government announced an intention to progressively deregulate diesel prices, (currently 20% less than international prices) over the next 15 months. If implemented, the cost benefits offered by the Indian Optiblend™ kits are likely to significantly increase.
- Subsequent to the end of the quarter the maiden order was received for a Optiblend™ kit from a customer in South America.
- Development is underway in USA of Eden's heavy duty Optiblend™ kit capable of handling extreme weather conditions.

Pyrolysis Project - Carbon Nanotubes/ Carbon Nanofibres/ Hydrogen

- A new agreement negotiated with the University of Queensland ("UQ") for the development of carbon nanotube enriched polymers and plastics to produce composites suitable for use in car bodies for the automobile industry.
- An application for an Australia Research Council ("ARC") grant has been made for financial support for the development project with UQ.
- Agreement being negotiated with a second Australian university for development of high strength carbon nanotubes enriched concrete for high rise building applications, and after preliminary examination, an invitation has been received for Eden to lodge an application for a Australian Federal Government CleanTech Innovations Grant for financial assist.
- Encouraging preliminary US test results on high strength carbon enriched concrete targeting the pavement, bridge decking and precast beam and girder markets.

UK Gas Assets

- During the quarter the UK government announced that it will support shale gas fracking subject to suitable environmental conditions.
- Merger discussions with UK JV partner ongoing. Eden also pursuing all alternatives for selling or spinning out its significant UK gas assets into a new self-funded company.

DETAILS

1 OPTIBLEND™ DUAL FUEL SYSTEM (EDEN 100%)

US Optiblend™ Progress

During the quarter, sales orders worth US\$70,000 were received for 3 units in USA. Whilst this was less than had been targeted, Eden now has its Optiblend™ kits being trialled by a number of major companies involved in shale gas exploration and production, which is currently the major emerging US market for dual fuel systems.

Additionally, the level of interest in Optiblend™ in the US, in both the shale gas and other market sectors, continues to increase and Eden's US subsidiary, Hythane Company has been very busy keeping up with the demand for quotes on its kits. In addition to the three sales that occurred, a significant number of quotations to supply Optiblend™ kits in the USA are outstanding.

Subsequent to the end of the quarter Hythane Company has already received a further two orders to supply kits in the USA and also received the maiden order for a unit to be supplied to a customer in South America. Eden believes there is a substantial potential market for Optiblend™ sales in South America and will continue to pursue this market.

Hythane Company, is also nearing completion of the development of a heavy duty version of the Optiblend™ kit which will be capable of operating in a wide range of extreme weather conditions thereby expanding both the product range and versatility of these kits.

The Optiblend™ market is dependent on there being a price differential between natural gas and diesel fuel, and during the past year, largely as a result of the rapidly 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 has been the major driver behind the significant increase in enquiries and orders for the Optiblend™ technology in USA, and considering the huge reserves of US shale gas that have been identified, the market commentators are predicting that this situation looks set to continue for a long time to come.

Indian Optiblend™ Progress

During the quarter, Eden received no new orders for Optiblend™ kits in India. However, interest is again increasing, not only in India but also in other parts of South Asia.

Whilst the price of natural gas in India has risen steadily (by almost 45% in places), over the past 2 years the Indian 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.

After nearly 18 months of fixed price diesel fuel, the Indian Government approved a 14% increase in the Government controlled price of diesel fuel. However, as a result of greatly increased demand for

natural gas, the price differential between natural gas and diesel still remains low or even marginal in many places. However, with increasing unreliability of the Indian power grid, which saw major blackouts during the past summer affecting many hundreds of millions of people in northern India for many hours, demand for Eden's Optiblend™ kit has again started to increase.

Additionally, at the end of the quarter the Indian Government announced that it intends to progressively remove the subsidy on the price of diesel fuel over the next 15 months and move to a deregulated price. As diesel fuel is presently priced at approximately 20% below international market prices, it is anticipated that, should this occur, the diesel fuel price is likely to rise by around this amount, which in turn is anticipated to increase the commercial viability of Optiblend™ kits in India.

Optiblend™ Background

Eden has developed 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™ (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.

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.

2 NANO-CARBON, HYDROGEN and HYTHANE™

Pyrolysis Project (Eden 100%)

Market progress

During the quarter, although small scale sales of carbon nanotubes are occurring, Eden and its US subsidiary continued its efforts to develop suitable large scale commercial markets for its nano-carbon products. Primarily Eden is focussed on developing a number of collaborations with groups and universities with the requisite skills to assist on commercially acceptable terms.

CNT Enriched Polymers and Plastics Project in Australia

A new development agreement with the University of Queensland ("UQ") was negotiated for the joint development of a methodology for the mixing of carbon nanotubes / carbon nanofibres in polymers and plastics with the aim of producing high strength composites suitable for use in car bodies for the automobile industry.

An application for an Australia Research Council ("ARC") grant has been made for financial support for the development project with UOQ.

CNT Enriched Concrete and Cement Projects in Australia and USA

Australia

Eden is also currently in the process of finalising an agreement with another Australian university for the joint development of a process to combine carbon nanotubes / carbon nanofibres with cement and concrete to produce a high strength concrete suitable for high rise building applications. If this project proceeds, is anticipated it will take at least 30 months to complete.

This follows preliminary encouraging work by the university using Eden's carbon nanotubes that has achieved increases in compressive strength of more than 25% with the addition of small quantities of carbon nanotubes. Early indications are that the process should only add a relatively small additional amount to the cost of producing concrete.

Following preliminary examination by the Department of Industry, Innovation, Science, Research and Tertiary Education, Eden has been invited to submit an application for a Australian Federal Government Clean Technology Innovation Grant for financial assistance for this project. These applications are assessed on a competitive basis against a number of criteria, and there is no certainty that Eden's application will be successful.

USA

Eden has also engaged a US group to assist in testing a product developed by Eden to create harder, high strength carbon-enriched concrete for applications such as pavements and bridge decking, which are often damaged by scraping by snow ploughs during the winter period. Encouraging preliminary tests have indicated increases of up to 21% in compressive strength.

Eden anticipates that successful collaborations with these groups could lead to the early development and marketing of suitable commercial products for its nanocarbon.

Eden is targeting commercial trials of the US developed products within the next 6 months with the objective of developing a commercial product for limited applications within the next year if possible, and to complete the development for the other, wider scale applications within 2-3 years, opening up a very large global market for its nano-carbon products over the next few years.

Background

Eden remains optimistic that it will develop suitable markets for the nano-carbon products that it can produce in an efficient, commercially competitive production process. Eden currently has established production capabilities at its subsidiary in Colorado that enable it to produce up to 40 tonnes of nanocarbon per year from a feedstock of natural gas(methane).

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™. Encouragingly, the hydrogen produced using the Eden pyrolysis process will generate only a relatively very small amount of greenhouse gas as a by-product 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.

Hythane™

Indian Hythane™ Projects

Delhi and Gujarat Hythane™ Bus Demonstration Projects

During the quarter, discussions occurred with both GAIL and GSPC in relation to these proposed projects in Delhi and Gujarat but no real progress was achieved.

Each project would involve a similar 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 hydrogen production, using Eden's new pyrolysis process is available and the nano-carbon can be sold, 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 any of these Indian Hythane™ projects during the past two years, 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, ideally during the next 6-12 months, particularly if Eden can utilise low cost hydrogen produced as a by-product from its pyrolysis project to produce carbon nanotubes and nanofibres.

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 of public concern.

After an extensive review, during the quarter the UK government announced that it will support shale gas fracking subject to suitable environmental conditions, thereby greatly increasing interest and activity in this market in the UK.

Negotiations are continuing with Eden's joint venture partner towards a possible merger and in the meantime, as an alternative, Eden has initiated steps towards either selling or spinning out its significant UK gas assets into a new self-funded company.

4 CORPORATE AND FINANCIAL MATTERS

La Jolla Cove Investors LLC (LJCI)

In June 2012, in consequence of a repudiation by LJCI, Eden terminated the Funding Agreement pursuant to which LJCI was advancing money to Eden. LJCI has also purported to terminate the Funding Agreement, such that it is common ground that the Funding Agreement has been terminated. As a result of the termination, no further draw-downs under the Funding Agreement have been or will be made, and similarly Eden believes that LJCI cannot convert any more money that may be owed to it by Eden to shares under the terms of the Funding Agreement.

Having obtained legal advice, Eden has denied any obligations to repay the unconverted balance of the funds advanced to Eden by LJCI before the facility was terminated (US\$536,039) due to the repudiation by LJCI of the Funding Agreement. LJCI has instituted proceedings to recover what it claims it is entitled to (including alleged loss of profits) and Eden is defending this claim.

As at the date of this report, LJCI holds no shares in Eden, having sold all the shares that were previously issued to it under the facility.

Sale of Surplus US Gas Equipment and Optiblend™ Kits

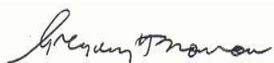
During the quarter, Eden, through its US subsidiary, sold over US\$24,000 worth of used natural gas storage tanks and compressors that it purchased a number of years ago and has held since then. The remainder of the equipment still held is hoped to generate up to several hundred thousand dollars.

Additionally, increasing revenue is now being received from Optiblend™ kit sales, with combined US and Indian orders worth US\$120,000 being received during the quarter.

Other Financial Matters

Eden's claim to recover ~\$1 million that is still owed to it from the sale in 2009 of some of Eden's hydrogen assets is progressing through the Supreme Court of WA and it is hoped that it will be heard later in 2013. The Directors remain confident Eden will be successful.

In addition during the quarter a demand for the value of a hydrogen reformer owed to Eden from the same sale of hydrogen assets was made.



Gregory H Solomon

Executive Chairman

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