EDEN ENERGY LTD

ACN 109 200 900

Thursday, 14 August 2014

Australian Securities Exchange Limited
Level 40 Central Park
152-158 St Georges Terrace
PERTH WA 6000

Attention: Adam Russo

By email – adam.russo@asx.com.au

Dear Adam

Further to your letter of 13 August 2014 re Eden's Quarterly Report ("Appendix 5B") for the period ended 30 June 2014 lodged with ASX Limited ("ASX") on 30 July 2014, we respond as follows;

1 We advise that the net cash outflow from operating activities for the June quarter is higher than the estimated net cash outflow for the September quarter due to higher anticipated receipts from sales of its Optiblend™ dual fuel system in the USA. Eden's US subsidiary has already invoiced over US$543,000 (AU$580,000) in sales during the first 6 weeks of this quarter, well on track for a significant increase over the prior period. These sales invoices are payable within 30 days of delivery, and to date these sales have been of products that were already in stock and had been paid for and accordingly the gross sales price will be the net cash flow receipts that we receive.

   In addition the Company has drawn down $200,000 from a $300,000 short term, unsecured facility (on arm's length commercial terms) from a major shareholder.

   We are closely monitoring the short term situation, and should it appear at any time that our cash flow will not be sufficient, and we need to raise further funds, we will immediately undertake a new capital raising, most likely via a rights issue to existing shareholders to raise additional cash as required.

   So far as the longer term is concerned, the negotiations for the sale of the Company's UK gas assets are nearing completion and this could well result in a significant payment (in excess of £1 million) to Eden being received during the next 6-9 months.

   Accordingly Eden will have sufficient cash to fund its activities for the quarter ending 30 September 2014.

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2 As stated in paragraph 1 above, the company expects, based on anticipated sales in the US, that the negative operating cash flows will in the future be lower than the June quarter. Sales of Eden's main product, Optiblend™ have been substantially increasing on a longer term basis as reported in the last quarterly activities report to 30 June 2014. It is expected that this trend will continue and will result in reducing negative operating cash flows for Eden, and an anticipated emerging positive cash flow in the short to medium term.

3 As stated in paragraph 1 above, the Company has drawn down $200,000 from a short term facility from a major shareholder on arm's length commercial terms. $100,000 of this facility still remains available to draw down. It is anticipated that should cash flow requirements necessitate, the Company will seek to raise additional capital, most likely via a rights issue to existing shareholders to supplement its cash position.

4 Eden confirms that it is compliance with the listing rules, and in particular, listing rule 3.1.

5 The Company believes that it continues to comply with Listing Rule 12.1. Apart from its cash position detailed above, the Company has an emerging business supplying duel fuel kits for diesel generators, a substantial holding of UK Petroleum Licences and substantial investments in several new technologies which it is progressing.

Yours faithfully

Aaron P Gates
Company Secretary

ASX Compliance Pty Limited
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13 August 2014

Aaron Gates
Company Secretary
Eden Energy Limited

By email: agates@edenenergy.com.au

Dear Aaron

Eden Energy Limited (the "Company")

I refer to the Company's Quarterly Cash Flow Report in the form of Appendix 5B for the quarter ended 30 June 2014, released to ASX Limited ("ASX") on 30 July 2014, (the "Appendix 5B").

ASX notes that the Company has reported the following.

1. Receipts from product sales and related debtors of $635,000.
2. Payments for production, administration and other costs of $958,000.
3. Negative operating cash flows for the quarter of $271,000.
4. Cash at end of quarter of $160,000.
5. Estimated cash outflows for the September 2014 quarter of $675,000.

In light of the information contained in the Appendix 5B, please respond to each of the following questions.

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate indicated by the Appendix 5B, the Company may not have sufficient cash to fund its activities. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?
2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 5B and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?
3. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?
4. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?
5. Please comment on the Company's compliance with listing rule 12.1.

6. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

This letter and your response will be released to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to me on facsimile number (08) 9221 2020 or email adam.russo@asx.com.au. It should <u>not</u> be sent to ASX Market Announcements.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than 8:30am (WST) on Monday, 18 August 2014.

If you are unable to respond by the time requested you should consider a request for a trading halt in the Company's securities.

If you have any queries please let me know.

Yours sincerely,

[sent electronically without signature]

Adam Russo
<u>Adviser, Listings Compliance (Perth)</u>