ACN 109 200 900

AUSTRALIAN SECURITIES EXCHANGE ANNOUNCEMENT

24 February 2016

SALE OF UK GAS ASSETS COMPLETED

HIGHLIGHTS

- **Eden has completed the sale of its 100% owned UK subsidiary that holds all its UK gas assets, to the parent of its UK Joint Venture partners.**
- **Consideration is in the form of an earn-out (commencing at 1% of gross sale proceeds from all hydrocarbon sales from the UK licences (PEDLs) in which Eden's subsidiary held a 50% interest, and reducing to 0.5%), in connection with any hydrocarbon sales made in the period expiring on the 20th anniversary of completion. There is now no cap placed on the maximum value of the amount that Eden can receive under the earn-out.**
- **Eden will have no further financial commitments on this project, but can still share in the potential upside from hydrocarbon sales, and focus its efforts on its EdenCrete™ and OptiBlend™ projects.**

As previously announced, on 20 January 2016, Eden Energy Ltd ("Eden"), Eden's wholly owned Australian subsidiary, Adamo Energy Ltd ("Adamo Energy") and UK Onshore Gas Limited (a company incorporated under the laws of England and Wales) ("UKOG") entered into an agreement ("the Original Agreement") under which Adamo Energy agreed to sell to UKOG all of the issued share capital in Adamo Energy (UK) Ltd (a company incorporated under the laws of England and Wales) ("Adamo UK"). UKOG is the parent company of Coastal Oil and Gas Limited ("Coastal") and UK Methane Limited ("UKM"), Adamo UK's joint venture partners.

Adamo UK's only asset is its 50% interest in the UK petroleum and exploration development licences listed in the following table (the "PEDLS").

PEDL Number	Other Holder*
100	Coastal
148	UKM
149	UKM
214	UKM
215	UKM
216	Coastal
217	Coastal
219	Coastal
220	Coastal

*Each PEDL is owned 50% by Adamo UK and 50% by the other holder noted above.

On 24 February 2016, Eden, Adamo Energy and UKOG entered into a new agreement (in replacement of the Original Agreement, which the parties have agreed has come to an end) ("the

Replacement Agreement"). As was the case under the Original Agreement, Eden has guaranteed all of the obligations of Adamo Energy under the Replacement Agreement.

The Replacement Agreement is on substantially the same terms and conditions as the Original Agreement, except that it provides that the consideration which is payable by UKOG to Adamo Energy is:

1. the payment by UKOG of £1 in cash;
2. if Adamo UK (prior to the date of execution of the Replacement Agreement) has paid the annual rent due on PEDL 100 for the period from 8 September 2015 to 7 September 2016 in the sum of £161,490 (or, should such annual rental amount be reduced by the Department of Energy and Climate Control (UK), the reduced sum), the payment by UKOG to Adamo Energy of £161,490 (or the reduced sum actually paid by Adamo UK) (as the case requires); and
3. the payment by UKOG to Adamo Energy of an earn out payment. The earn out payment is to be calculated by reference to the proceeds generated by UKOG and its subsidiaries (including Adamo UK) from sales of petroleum derived from the entirety of the PEDLs (in all of which Adamo UK held only a 50% interest) , and will be the amount which is equal to 1% of such gross sale proceeds for a period of 10 years from completion, 0.75% of such gross sale proceeds for the period between the 10th and 15th years following completion and 0.5% of such gross sale proceeds for the period from the 15th to the 20th year following completion ("Earn-Out").

The consideration which was payable under the Original Agreement was the same as specified above, except that, in lieu of the Earn-Out, it provided for UKOG to grant to Adamo Energy an overriding royalty. The Earn Out payment is to be calculated in substantially the same manner as the overriding royalty.

The Earn Out is payable in connection all hydrocarbons mined, derived, extracted or produced from the geographic area of the PEDLs:

1. consisting of natural gasoline, condensate, distillate, butanes, propanes, and other hydrocarbons condensed, absorbed, or separated out of or from the gas after it leaves the ground, be they derived from coal bed methane, conventional gas reserves or shale gas in all stratagraphic targets; and
2. regardless of gravity, capable of being produced in liquid form at the well by ordinary production methods including without limitation condensate, distillate and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment,

and related hydrocarbons that require a PEDL (or an approval, licence or permit issued under or pursuant to a PEDL) to be extracted and are mined, derived or extracted, or produced from hydrocarbons mined, derived or extracted, from the geographic area of the PEDLs ("the Petroleum Substances").

There is no monetary cap on the Earn Out payment (under the Original Agreement, the maximum total royalty was £35,000,000), but there is a time cap (the Earn Out ceases to be payable at the end of 20 years following completion of the Replacement Agreement). The change from a royalty to an Earn Out was made as an issue arose as to whether the grant of the royalty could possibly result in a contravention of the terms of issue of the PEDLs. As a result of this change, Adamo Energy will no longer be acquiring a direct interest in the sale proceeds of the petroleum (as was the case under the royalty) but rather UKOG will be assuming a contractual obligation to pay an earn out amount to Adamo Energy.

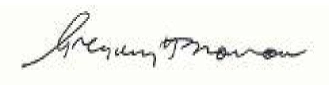
As previously disclosed, there is no guarantee that any payment will be made by UKOG to Adamo Energy under the Earn Out, as such a payment is dependant upon Petroleum Substances being mined, derived or extracted from the PEDLs and there is no guarantee that this will occur. Whilst coal bed methane is known from earlier exploration to occur on PEDL 100, the size of this resource is not yet proven. Further, whilst there is a reasonable chance that other hydrocarbon deposits may exist in one or other form of conventional or unconventional hydrocarbons on the PEDLs, this is also not proven. In any event, the production of commercial quantities of recoverable hydrocarbons, should they exist on the PEDLs will depend upon many matters, including but not limited to any necessary regulatory and/ or environmental approvals that may be required, the economics of both exploration for and production of hydrocarbons, and the ability to secure access to the sites for drilling (much of the licence areas being privately owned).

Execution, and completion, of the Replacement Agreement occurred contemporaneously on 24 February 2016.

The Replacement Agreement (like the Original Agreement) continues to provide that UKOG is acquiring Adamo UK with and subject to all debts and liabilities of Adamo UK which are:

1. owing or may be claimed or alleged to be owing to UKOG, Coastal and/or UKM and/or any subsidiary or associated company of any of them, whether under the joint operating agreements made between Adamo UK and/or Adamo Energy and UKOG and/or UKM and/or Coastal and/or any subsidiaries of any of them or otherwise; and
2. owing by way of outstanding rent in respect of the PEDLs as at the date of execution of the Replacement Agreement,

(but for the avoidance of doubt, specifically excluding any debts owed by Adamo UK to Adamo Energy or Eden).



Gregory H. Solomon
Executive Chairman