EDEN ENERGY LTD
(ABN 58 109 200 900)
AND CONTROLLED ENTITIES

FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

EDEN ENERGY LTD
ABN 58 109 200 900
AND CONTROLLED ENTITIES

CORPORATE DIRECTORY

DIRECTORS:

Gregory Howard Solomon **LLB** (Executive Director)
Douglas Howard Solomon **BJuris LLB (Hons)** (Non Executive)
Guy Touzeau Le Page **B.A., B.Sc. (Hons)., M.B.A., ASIA., MAusIMM** (Non Executive)
Graham Roland Bedford **F.R.A.I.A.** (Non Executive)

COMPANY SECRETARY:

Raymond F Buscall

REGISTERED OFFICE:

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Perth
Western Australia 6000
Tel +61 8 9221 5323
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Email: mailroom@tasmanresources.com.au

SOLICITORS:

Solomon Brothers
Level 40, Exchange Plaza
2 The Esplanade
Perth WA 6000

AUDITORS:

Bentleys MRI Perth Partnership
(formerly Hall Chadwick)
Chartered Accountants
Level 1
10 Kings Park Road
West Perth WA 6005

EDEN ENERGY LTD
ABN 58 109 200 900
AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Your directors submit the financial accounts of the company for the period ended 31 December 2005.

DIRECTORS

The names of the directors in office at any time during or since the end of the period are,

Mr Gregory H Solomon
Mr Douglas H Solomon
Mr Guy T Le Page
Mr Graham Roland Bedford (Appointed 22 August 2005)
Mr Guiting Liu (Appointed 26 November 2004, (Resigned 22 August 2005)

Directors have been in office since the start of the financial year to the date of this report.

The particulars of the qualifications and experience of each the current directors, are as follows:-
Gregory Howard Solomon LLB (Executive Chairman)
Mr Solomon is a solicitor with almost 30 years Australian and international experience in a wide range of areas including mining law, commercial negotiation (including numerous mining and exploration joint ventures) and corporate law. He is a senior partner in the Western Australian legal firm, Solomon Brothers and has held directorships of various public companies since 1984 including two mining/exploration companies.

Douglas Howard Solomon, BJuris LLB (Hons) (Non-executive)
Mr Solomon is a Barrister and Solicitor with more than 20 years experience in the areas of mining, corporate, commercial and property law. He is a partner in the legal firm, Solomon Brothers.

Guy Touzeau Le Page, B.A., B.Sc. (Hons).,M.B.A., ASIA., MAusIMM (Non-Executive)
Mr Le Page is currently a corporate adviser at RM Capital Pty Ltd specialising in resources. He is actively involved in a range of corporate initiatives from mergers and acquisitions, initial public offerings to valuations, consulting and corporate advisory roles. Mr Le Page was Head of Research at Morgan Stockbroking Limited (Perth) prior to joining Tolhurst Noall as a Corporate Adviser in July of 1998. As Head of Research, Mr Le Page was responsible for the supervision of all Industrial and Resources research. As a Resources Analyst, Mr Le Page published detailed research on various mineral exploration and mining companies listed on the Australian Stock Exchange. The majority of this research involved valuations of both exploration and production assets.

Prior to entering the stockbroking industry he spent 10 years as an exploration and mining geologist in Australia, Canada and the United States. His experience spans gold and base metal exploration and mining geology and he has acted as a consultant to private and public companies. This professional experience included the production of both technical and valuation reports for resource companies.
Mr Le Page holds a Bachelor of Arts, a Bachelor of Science and a Masters Degree in Business Administration from the University of Adelaide, a Bachelor of Applied Science (Hons) from the Curtin University of Technology and a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia.

Graham Roland Bedford, (F.R.A.I.A.) (Non-Executive)
Mr Bedford is the nominee of Top Energy Pty Ltd. Mr Bedford is an Australian Architect with over 30 years experience in development and management of many major Governmental and private building projects in Australia and overseas. He has also helped establish broad business links with key Chinese business and government enterprises including the resources and energy markets.

EDEN ENERGY LTD
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DIRECTORS' REPORT

OPERATING RESULTS

The loss for the economic entity after providing for income tax amounted to $1,513,032.

PRINCIPAL ACTIVITIES

ENERGY PROJECTS

1. Energy Projects (Eden Energy Ltd)

Eden Energy Ltd ("Eden") a Tasman subsidiary was incorporated to acquire energy related assets. Eden has acquired a range of these assets involving hydrogen technology, cryogenic storage technology, geothermal energy, coal bed / coal mine methane in Wales and conventional hydrocarbon targets in South Australia. In December 2005, Eden made an offer to the other shareholders of Brehon Energy plc (the hydrogen technology company in which Eden was a major shareholder) and as a result Eden has now acquired 100% ownership of Brehon Energy plc. This merger was only partially completed as at 31 December 2005, and has been subsequently completed, and as a result the accounts at 31 December 2005 reflect this transitional position.

1.1. Hydrogen Technologies and Hythane®

As referred to above, Eden has now acquired 100% of Brehon Energy plc ("Brehon") which has a range of hydrogen / cryogenic storage technology. All of this technology comes from USA, where it was developed as part of the US hydrogen industry which evolved predominantly in Colorado as part of the NASA Space Program.

Brehon's technology divides into three main areas:

- Hydrogen technology – including Hythane® (which is a low emission fuel mixture comprising hydrogen and natural gas).
- The manufacture and storage of cryogenic gases including patent applications in relation to improved cryogenic storage containers and for blending of liquefied natural gas (LNG) and gaseous hydrogen to make cryogenic Hythane®.
- Superconducting magnetic energy storage system – Brehon has applied for a patent for a portable superconducting electronic storage device. This is a development from the cryogenic storage container, and has potential application in a range of areas, including high level portable electronic storage devices (batteries) and potentially in other applications such as improvement of magnetic resonance imaging equipment (MRI) which is used in the medical industry.

Hythane®

Brehon has continued to progress its development of a range of patents and technologies related to both the production, storage and application of Hythane® as a low emission vehicle fuel. Patents have now been lodged covering the Hythane® operating system, the blending of hydrogen and natural gas to create Hythane®, the blending of cryogenic LNG and hydrogen to create cryogenic Hythane®. The Company has expended a large amount of time and effort in developing the potential market for Hythane® in China and India and more recently in California.

China

Specific work has included acquiring a leading Chinese natural gas engine, transporting it to Colorado and converting it to operate on Hythane®. In the process, the emissions from the engine were reduced from the Euro II level emissions to better than Euro IV emission levels, making the engine amongst the cleanest in the world. Negotiations for the return of the engine to China and the testing of the engine and certification in Chinese national laboratories are still underway, with the intention that during the second or third quarters of 2006, the engine will be tested in China and then put into a bus for demonstration purposes. This is anticipated to lead to a progressive roll-out of Hythane® in various cities in China as a low emission fuel. Preliminary approval has been obtained for inclusion of the Hythane® technology under the Chinese Clean Air program, which aims to reduce air pollution in 16 major cities across China. A very large market for Hythane® in China is anticipated to emerge, starting with Beijing which hosts the Olympic Games in 2008 and which is committed to significantly reducing air pollution.

India

The Indian government has committed US $25million (1 billion Rupees) to research hydrogen related technologies. As part of this program, Indian Oil, the national refiner / petroleum marketer, has constructed a Hythane® refuelling station at its research and development facility at Faridabad, near Delhi, and is undertaking a Hythane® development program on a range of Indian manufactured vehicles. Brehon is in discussions with Indian Oil to participate in this program and undertake the Hythane® engine conversions. Additionally, Brehon is in discussions with individual engine manufacturers in India in relation to a range of Hythane® development projects. As with China, many of the major cities in India suffer from significant photochemical smog (which is greatly reduced when Hythane® is used in lieu of natural gas), and as more of the Indian cities are converting to natural gas, significant opportunity exists for the development and roll-out of Hythane® technology throughout India.

USA

In California and other States in the USA, a significant program is underway to roll-out natural gas as a vehicle fuel, and Brehon is in discussions with various parties to conduct demonstration projects for Hythane® as part of this process. This market is expected to greatly expand over the next 1-2 years. In 2007, California introduces tough new emission standards which, if Hythane® is not used, are likely to require very expensive exhaust catalyst systems to be added to new engines, potentially adding thousands of dollars to the cost of each engine. This is expected to assist in a rapid roll-out of Hythane® which can achieve very low emission levels at a very much reduced cost. It is projected that these new emission standards will then progressively spread across the USA.

Cryogenic Storage

Brehon has filed two patent applications which relate to cryogenic technology, the first in relation to an improved cryogenic storage device, which also includes applications for a superconducting magnetic electrical storage device, and a second patent in relation to the creation of cryogenic Hythane® (the blending of LNG and gaseous hydrogen). As part of its strategy to develop a cryogenic business, Brehon has established a cryogenic division and engaged a leading cryogenic expert, Steve Hensley, to head this division. This division will fabricate and market a range of cryogenic valves and fittings, and has already received its first

orders. It will also provide the base around which Brehon's cryogenic research and development can take place, and provide a solid cashflow to underpin Brehon's US operations.

1.2. South Wales - Coal Bed Methane (CBM) and Abandoned Mine Methane (AMM)

South Wales Tenements

Eden has negotiated two farm in joint ventures with Coastal Oil and Gas Ltd and UK Methane Ltd in the UK to farm into:

- petroleum exploration and development licenses (PEDL 100, 148 and 149), which are located over part of the South Wales coalfields in respect of coal bed and coal mine methane to acquire a 50% interest. To earn its full 50% interest in PEDL 100 Eden must expend £500,000 and similarly to earn its full 50% interest in PEDLs 148 and 149 Eden must expend another £500,000; and,
- a deeper oil/natural gas target which is located beneath PEDL 100, PEDL 148 and PEDL 149 to acquire a 50% interest (increasing to 60% if Eden expends more than £1M).

South Wales Exploration

Eden's exploration programme in South Wales comprises the following phases of work to assess the CBM potential of the PEDLs:

Phase 1:	Data review evaluating all appropriate coal and petroleum exploration holes/seismic and mining operations to generate drilling/assessment targets.
Phase II:	Target test drilling and sampling that will provide further data about gas contents; saturations; coal quality; permeability; reservoir properties; preliminary productivity.
Phase III:	Pilot testing of a successful target to assess well spacing; pattern; completion; response time; stimulation effectiveness; water trends; gas rates; history matching.
Phase IV:	Field development of a pilot gas producing operation.

A similar process will be followed for AMM but be focussed on historic mine workings. Economic development of the project will be dependent upon the recognition of high permeability, low stress structures. Further area specific data will also be required regarding gas content, sorption rate, saturation, reservoir pressures and distribution of historic underground mining workings.

Phase 1 work is essentially complete, with a number of targets areas being identified and permitting to allow drill testing of these targets well underway.

A number of options for conducting the drilling have been identified and a contract is currently being sought.

Future Exploration Programme

Drilling three test wells in PEDL 100 to obtain HQ core samples of coals for gas testing and reservoir properties.

Finalisation of exploration programme for petroleum – seismic acquisition.

1.3. Geothermal Exploration

Eight Geothermal Exploration Licences have been granted to Eden Energy - GEL 166, 167, 168, 169, 175, 176, 177, 185.

Eden has identified six areas in South Australia to assess for hot rocks and geothermal power:

- In the Olympic Dam/Roxby Downs area - the West Well targets;
- In the Olympic Dam/Roxby Downs area - the Mulgaria target;
- West of Moomba on the Birdsville Track at Mungeranie;
- In the Renmark area;
- South of Moomba – the Bollard's Lagoon target; and,
- Adjacent to Geodynamics Habanero project northeast of Moomba.

During the reporting period, Eden commenced permitting for re-entry of an old mineral hole at West Well in GEL167. Environmental assessment and indigenous liaison activities were completed. Logistic problems lead to the rig planned for the job being unable to undertake the contract. An alternative rig is being sought.

Planning for work at the Renmark project was commenced. Technical, environmental and land access issues are being addressed. Permitting for a programme of 3-6 shallow (400-500m) holes to enable a heatflow map to be constructed is planned for the next six months.

Completion of data compilation, reprocessing and review of the data is planned fore the other GELs.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

1,500,000 options to acquire ordinary fully paid shares on or before 30 September 2009 were issued in August 2005 to Mr Bedford.

On 19 December 2005 there was a share and option conversion. The 94,000,000 shares on issue were converted to 51,500,000 shares and 81,000,000 options were converted to 44,377,660 options. The options are exercisable at 20 cents each to acquire ordinary fully paid shares on or before 30 September 2009.

In December 2005 an agreement had been reached by Eden to acquire the balance of shares held in Brehon Energy plc (making Brehon a 100% subsidiary). The amounts shown as payables as at 31 December 2005 were settled by way of an issue of 3.054 Eden shares for every Brehon share held plus 2.63164 Eden options for every Brehon share. The options are exercisable at 20 cents each to acquire ordinary fully paid shares on or before 30 September 2009.

DIRECTORS' REPORT

AFTER BALANCE DATE EVENTS

In December 2005 an agreement had been reached by Eden to acquire the balance of shares held in Brehon Energy plc (making Brehon a 100% subsidiary). The amounts shown as payables as at 31 December 2005 were settled by way of an issue of 3.054 Eden shares for every Brehon share held plus 2.63164 Eden options for every Brehon share in January 2006. The options are exercisable at 20 cents each to acquire ordinary fully paid shares on or before 30 September 2009.

On 13 January 2006 a total of 500,000 ordinary fully paid shares were issued at 20 cents per share together with 250,000 free options to acquire shares at an exercise price of 20 cents per share on or before 30 September 2009 to Tasman Resources NL to raise working capital.

On 1 February 2006 a total of 50,000 ordinary fully paid shares were issued to a consultant as part of an incentive scheme under an employment contract. There are to be 9 further allotments of 50,000 ordinary fully paid shares over the next 4.5 years.

On 3 February 2006 a total of 1,000,000 ordinary fully paid shares were issued at 20 cents per share together with 500,000 free options to acquire shares at an exercise price of 20 cents per share on or before 30 September 2009 to Tasman Resources NL to raise working capital.

On 16 March 2005 a total of 3,250,000 ordinary fully paid shares were issued at 10 cents per share to raise working capital of $325,000.00.

Apart from the above items and those mentioned in the Exploration Results above, there are no other matters or circumstance have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in subsequent financial years.

ENVIRONMENTAL ISSUES

The company is the subject of environmental regulation with respect to mining exploration and will comply fully with all requirements with respect to rehabilitation of exploration sites.

FUTURE DEVELOPMENTS

The Company proposes to continue with its exploration program on the South Wales, Geothermal and natural gas projects and continue the marketing of the Hythane® and hydrogen technologies as detailed in the Review of Operations.

DIVIDENDS PAID OR RECOMMENDED

There were no recommendations for the payment of dividends.

OPTIONS

No options were granted over unissued shares or interest during or since the financial year by the company to the executives as part of their remuneration package. In addition to options which were issued to investors, options were issued to the directors as approved by shareholders in general meeting, to an international marketing consultant and to an incoming director.

DIRECTORS' REPORT

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

No shares have been issued by virtue of the exercise of an option during the year or to the date of this report and there are 44,377,660 unissued ordinary shares for which options are outstanding at the date of this report.

INDEMNIFYING OFFICERS OR AUDITOR

During or since the end the financial year the company has given an indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

During the year the company has taken out and paid the premium to insure the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is party for the purpose of taking responsibility on behalf of the company for all or any part of the proceedings.

The company was not a party to any such proceedings during the year.

ADOPTION OF AUSTRALIAN EQUIVALENTS TO IFRS

This interim financial report has been prepared under Australian equivalents to IFRS. A reconciliation of differences between previous GAAP and Australian equivalents to IFRS has been included in Note 7 of this report.

AUDITORS INDEPENDENCE DECLARATION

The auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 9 for the half year ended 31 December 2005.

Signed in accordance with a resolution of the Board of Directors

Gregory Solomon

G H Solomon
Director
Signed in Perth this 30 day of May 2006

CHARTERED
ACCOUNTANTS
& BUSINESS
ADVISORS

A MEMBER OF
MOORES ROWLAND
INTERNATIONAL

Bentleys mri
Thinking ahead

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AUDITORS INDEPENDENCE DECLARATION

Auditors Independence Declaration under section 307C of the Corporation Act 2001 to the Directors of Eden Energy Ltd.

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2005, there has been:

i) no contraventions of the auditor independence requirements as set out in the Corporation Act 2001 in relation to the review; and

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

BENTLEYS MRI PERTH PARTNERSHIP

MAURICE L ANGHIE
PARTNER

Dated this 30 day of May 2006.

EDEN ENERGY LTD
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DIRECTORS DECLARATION

The directors of the company declare that:

1 the financial statements and notes, as set out on pages 11 to 25 are in accordance with the Corporations Act 2001:

(a) comply with Accounting Standards and the Corporations Regulations 2001; and

(b) give a true and fair view of the company's financial position as at 31 December 2005 and of its performance for the half year ended on that date;

2. in the director's 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.

Gregory Solomon

G H Solomon
Director

Signed in Perth this 30th day of May 2006

EDEN ENERGY LTD
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CONDENSED BALANCE SHEET
AS AT 31 DECEMBER 2005

	NOTE	ECONOMIC ENTITY 31 DEC 2005 $	 30 JUNE 2005 $
CURRENT ASSETS			
Cash Assets		249,613	2,289,658
Receivables		87,913	450,237
Inventories		27,510	-
TOTAL CURRENT ASSETS		365,036	2,739,895
NON CURRENT ASSETS			
Other non current assets		500,068	-
Intangible Assets		7,408,790	1,310,735
Property, Plant & Equipment		158,516	-
Exploration Expenditure		136,531	57,082
TOTAL NON CURRENT ASSETS		8,203,905	1,367,817
TOTAL ASSETS		8,568,941	4,107,712
CURRENT LIABILITIES			
Payables		5,179,858	334,336
TOTAL CURRENT LIABILITIES		5,179,858	334,336
NET ASSETS		3,389,083	3,773,376
EQUITY			
Contributed Equity		4,096,148	4,250,445
Accumulated losses		(707,065)	(477,069)
TOTAL EQUITY		3,389,083	3,773,376

The accompanying notes form part of these financial statements.

EDEN ENERGY LTD
ABN 58 109 200 900
AND CONTROLLED ENTITIES

CONDENSED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	NOTE	ECONOMIC ENTITY 31 DEC 2005 $	 31 DEC 2004 $
Other revenues from ordinary activities			
Interest Revenue		19,413	8,561
Administration expenses		(209,409)	(27,918)
Research Expenditure written off		(40,000)	-
Loss from ordinary activities before income tax expense		(229,996)	(19,357)
Income tax (expense) / benefit		-	-
Loss from ordinary activities after income tax expense		(229,996)	(19,357)
Basic earnings per share (cents per share)		(0.2702)	(0.0427)

The accompanying notes form part of these financial statements.

EDEN ENERGY LTD
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CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	Note	Ordinary Share Capital $	Option Reserve $	Accumulated Losses $	Total $
Balance at 1.7.2004		1	-	-	1
Shares issued during the period		1,975,000	-	-	1,975,000
Loss attributable to members of parent entity		-	-	(19,356)	(19,356)
Revaluation		(23,180)	23,180	-	-
Balance at 31.12.2004		1,951,821	23,180	(19,356)	1,955,645
Balance at 1.7.2005		4,224,625	25,820	(477,069)	3,773,376
Share issue costs during the period		(154,747)	-	-	(154,747)
Loss attributable to members of parent entity		-	-	(229,996)	(229,996)
Revaluation increment		-	450	-	450
Balance at 31.12.2005		4,069,878	26,270	(707,065)	3,389,083

EDEN ENERGY LTD
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CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	NOTE	ECONOMIC ENTITY 31 DEC 2005 $ Inflows (Outflows)	31 DEC 2004 $ Inflows (Outflows)
Cashflows From Operating Activities			
Payments to suppliers		(317,915)	(17,418)
Interest received		19,413	8,561
Goods and Service Tax refunds/paid		11,583	(5,466)
Bonds on Tenements		(50,000)	-
Net cash outflows from operating activities		(336,919)	(14,323)
Cash Flows From Investing Activities			
Cash acquired on acquisition of associated entities		136,943	-
Exploration expenditure		(79,449)	(19,438)
Equity Investments		(1,392,305)	-
Investment in joint venture		(177,886)	(99,987)
Loans to associated entities		-	(563,104)
Loans from associated entities		-	11,838
Loans from associated entities repaid		(9,204)	-
Loans other		(38,367)	-
Net cash outflows from investing activities		(1,560,268)	(670,691)
Cash Flows From Financing Activities			
Proceeds from issue of shares		-	2,120,000
Share Issue Costs		(142,858)	(145,000)
Net cash inflows from financing activities		(142,858)	1,975,000
Net increase (decrease) in cash held		(2,040,045)	1,289,986
Cash at 1 July 2005		2,289,658	1
Cash at 31 December 2005		249,613	1,289,987

The accompanying notes form part of these financial statements.

1. Statement of Accounting Policies

The significant accounting policies adopted by the Economic Entity are detailed as follows:

(a) Basis of Accounting

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

The financial report covers the economic entity of Eden Energy Ltd which is a company limited by shares, incorporated and domiciled in Australia.

The financial report has been prepared on the going concern basis. At balance date total current assets were $365,036 and total current liabilities were $5,179,858. The ability of the company to pay its debts as and when they fall due is dependent on the successful development of existing projects and the success of further working capital raising initiatives being undertaken by the directors.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(b) Statement of compliance

The half-year financial report complies with Australian Accounting standards, which include Australian equivalents to International Financial Reporting Standards {AIFRS). Compliance with AIFRS ensures that the financial statements and notes thereto, compliance with International Financial Reporting Standards.

This is the first half-year financial report prepared based on AIFRS and comparatives for the half-year to 31 December 2004 and the full year ended 30 June 2005 have been restated accordingly. A summary of the significant accounting policies of the company under AIFRS are disclosed below.

Reconciliations of:

- AIFRS equity as at 1 July 2004, 31 December 2004 and 30 June 2005; and
- AIFRS profit for the half-year 31 December 2004 and the full year 30 June 2005,

to the balances reported in the 31 December 2004 half-year report and the 30 June 2005 full year report prepared under AGAAP are detailed in Note 8.

(c) Principles of Consolidation

A subsidiary is any entity Eden Energy Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

All subsidiaries have a June financial year-end.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of

1. Statement of Accounting Policies (Cont'd)

(c) Principles of Consolidation (Cont'd)

subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where subsidiaries have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased. Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

(d) Income Tax

The company has adopted the liability method of tax effect accounting whereby income tax expense for the period is calculated on the accounting profit after adjusting for items which, as a result of their treatment under income tax legislation, create permanent differences between that profit and the taxable income. The tax effect of timing differences which arises from the recognition in the accounts of items of revenue and expenses in periods different from those in which they are assessable or allowable for income tax purposes, are represented in the balance sheet as "future income tax benefits" or "provision for deferred income tax", as the case may be at current tax rates. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(e) Tenements and Exploration Expenditure

Exploration and evaluation costs shown in the balance sheet represent an accumulation of net direct exploration and evaluation costs incurred by the company in relation to areas of interest for which rights of tenure are current and expected to be maintained and in respect of which :-

(i) such costs are expected to be recouped through successful development and exploitation of each area, or alternatively, by its sale; or

(ii) exploration and/or evaluation activities in the areas have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to the areas are continuing.

The ultimate recoupment of costs related to the areas of interest in the exploration and evaluation phase is dependent on the successful and commercial exploitation and/or sale of the relevant areas, at amounts at least equal to book value.
Accumulated costs in relation to an abandoned area are written off in full in the year in which the decision to abandon the area is made.

1. Statement of Accounting Policies (Cont'd)

(f) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employed and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:
Plant & equipment – 10 – 50%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

1. Statement of Accounting Policies (Cont'd)

(f) Property, Plant and Equipment (Cont'd)

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(g) Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over it recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(h) Intangible Assets

Acquired both separately and from a business combination

Intangible assets acquired separately are capitalised at cost and from business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of these intangible assets are assessed t be either finite of indefinite.

Where amortisation is charged on assets with finite lives, this expense is taken to the income statement through the 'administration expenses' line item.

Intangible assets, excluding development costs created within the business are not capitalised and expenditure is charged against profits in the period in which the expenditure incurred.

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite lived intangibles annually, either individually or at the cash generating unit. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

1. Statement of Accounting Policies (Cont'd)

(i) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

(j) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

(k) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(l) Franking Credits

As at balance date there are no franking credits for the economic entity or the parent entity.

(m) Investment in Associates

The equity method of accounting has been applied and recognised in the financial statements of the company in relation to all associated companies. An associated company is a company over which the company is able to exercise significant influence.

(n) Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

2. Commitments

Exploration Commitments

The company has certain obligations to perform work programs as per licence documents for the Geothermal Licences. These obligations may be varied from time to time subject to approval and are expected to be fulfilled in the normal course of the operations of the company subject to the company being able to raise sufficient additional capital.
These commitments have not been provided for in the accounts. In part these commitments can be satisfied by time spent by officers of the company on activities related to the exploration tenements.

Other Commitments

South Wales
Eden has negotiated two farm in joint ventures with Coastal Oil and Gas Ltd and UK Methane Ltd in the UK to farm into:

- a 230km^2 petroleum exploration and development license (PEDL 100) over part of the South Wales coalfields in respect of coal bed and coal mine methane to acquire a 50% interest. To earn its full 50% interset in PEDL 100 Eden must expend £500,000; and,

- Two new tenements were added to the South Wales Project in December 2004. PEDL 148 and PEDL 149 have been granted and will form part of the project in which Eden is acquiring a 50% interest. These additional tenements are contiguous and immediately north of the existing PEDL 100.To earn its full 50% interset in PEDL 148 and PEDL 149 Eden must expend £500,000; and,

- a deeper oil/natural gas target which is located beneath PEDL 100, PEDL 148 and PEDL 149 to acquire a 50% interest (increasing to 60% if Eden expends more than £1M).

These commitments have not been provided for in the accounts.

3. After Balance Date Events

The majority of the amounts shown as payables as at 31 December 2005 ($3,931,445 of $5,179,858) related to the acquisition of the balance of shares held in Brehon Energy plc (making Brehon a 100% subsidiary). This was settled on the 5 January 2006 by way of an issue of 3.054 Eden shares for every Brehon share held plus 2.63164 Eden options for every Brehon share. The options are exercisable at 20 cents each to acquire ordinary fully paid shares on or before 30 September 2009.

On 13 January 2006 a total of 500,000 ordinary fully paid shares were issued at 20 cents per share together with 250,000 free options to acquire shares at an exercise price of 20 cents per share on or before 30 September 2009 to Tasman Resources NL to raise working capital.

On 1 February 2006 a total of 50,000 ordinary fully paid shares were issued to a consultant as part of an incentive scheme under an employment contract. There are to be 9 further allotments of 50,000 ordinary fully paid shares over the next 4.5 years.

On 3 February 2006 a total of 1,000,000 ordinary fully paid shares were issued at 20 cents per share together with 500,000 free options to acquire shares at an exercise price of 20 cents per share on or before 30 September 2009 to Tasman Resources NL to raise working capital.

On 16 March 2005 a total of 3,250,000 ordinary fully paid shares were issued at 10 cents per share to raise working capital of $325,000.00.

Apart from the abovementioned items, there are no other matters or circumstance that have arisen since the end of the half year which significantly affected or may significantly affect the operations

4. Controlled Entities

In December 2005, Eden made an offer to the other shareholders of Brehon Energy plc (the hydrogen technology company in which Eden was a major shareholder) and as a result Eden has now acquired 100% ownership of Brehon Energy plc. Brehon Energy plc has 100% ownership of Hythane Co LLC incorporated in USA.
Eden has a 49% interest and Brehon Energy plc a 51% interest in a joint venture marketing company named Brehon Far East Pte Ltd.

5. Contingent Liabilities
There has been no change in contingent liabilities since the last annual reporting date.

6. Comparative Figures
Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

7. Segment Information

(i) Geographical
The economic entity operates predominately in Australia.
(ii) Business
The economic entity operated predominately in the area of mineral exploration, gas and investments.

EDEN ENERGY LTD
ABN 58 109 200 900

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

8. First-Time Adoption Of Australian Equivalents To International Financial Reporting Standards

		Economic Entity		
	Note	Previous GAAP at 1.7.2004	Adjustments on introduction of Australian equivalents to IFRS	Australian equivalents to IFRS at 1.7.2004
Reconciliation of Equity at 1 July 2004				
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		1	-	1
Trade and other receivables		-	-	-
TOTAL CURRENT ASSETS		1	-	1
NON-CURRENT ASSETS				
Property, plant and equipment			-	
Exploration Expenditure		23,926	-	23,926
Intangible assets		-	-	-
TOTAL NON-CURRENT ASSETS		23,926	-	23,926
TOTAL ASSETS		23,927	-	23,927
CURRENT LIABILITIES				
Trade and other payables		23,926	-	23,926
TOTAL CURRENT LIABILITIES		23,926	-	23,926
NET ASSETS		1	-	1
EQUITY				
Issued capital		1	-	1
Reserves		-	-	-
Retained earnings		-	-	-
Parent interest		1	-	1
Minority equity interest		-	-	-
TOTAL EQUITY		1	-	1

EDEN ENERGY LTD
ABN 58 109 200 900

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

8. First-Time Adoption Of Australian Equivalents To International Financial Reporting Standards

	Note		Economic Entity	
		Previous GAAP at 31.12.2004	Adjustments on introduction of Australian equivalents to IFRS	Australian equivalents to IFRS at 31.12.2004
Reconciliation of Equity at 31 December 2004				
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		1,289,986	-	1,289,986
Trade and other receivables		568,571	-	568,571
TOTAL CURRENT ASSETS		1,858,557	-	1,858,557
NON-CURRENT ASSETS				
Investments accounted for using the equity method		-	-	-
Property, plant and equipment		-	-	-
Exploration Expenditure		43,364	-	43,364
Other financial assets		99,987		99,987
Deferred tax assets		-	-	-
Intangible assets		-	-	-
TOTAL NON-CURRENT ASSETS		143,351	-	143,351
TOTAL ASSETS		2,001,908	-	2,001,908
CURRENT LIABILITIES				
Trade and other payables		46,264	-	46,264
TOTAL CURRENT LIABILITIES		46,264	-	46,264
NET ASSETS		1,955,644	-	1,955,644
EQUITY				
Issued capital		1,975,000	(23,180)	1,951,820
Reserves		-	23,180	23,180
Retained earnings		(19,356)	-	(19,356)
Parent interest		1,955,644	-	1,955,644
Minority equity interest		-	-	-
TOTAL EQUITY		1,955,644	-	1,955,644

8. First-Time Adoption Of Australian Equivalents To International Financial Reporting Standards

	Note	Previous GAAP at 30.6.2005	Economic Entity Adjustments on introduction of Australian equivalents to IFRS	Australian equivalents to IFRS at 30.6.2005
Reconciliation of Equity at 30 June 2005				
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		2,289,658	-	2,289,658
Trade and other receivables		450,237	-	450,237
TOTAL CURRENT ASSETS		2,739,895	-	2,739,895
NON-CURRENT ASSETS				
Other financial assets		1,310,735	-	1,310,735
Investments accounted for using the equity method				
Exploration Expenditure		57,082	-	57,082
Property, plant and equipment		-	-	-
Deferred tax assets		-	-	-
Intangible assets		-	-	-
TOTAL NON-CURRENT ASSETS		1,367,817	-	1,367,817
TOTAL ASSETS		4,107,712	-	4,107,712
CURRENT LIABILITIES				
Trade and other payables		334,336	-	334,336
TOTAL CURRENT LIABILITIES		334,336	-	334,336
NET ASSETS		3,773,376	-	3,773,376
EQUITY				
Issued capital		4,250,445	(25,820)	4,224,625
Reserves		-	25,820	25,820
Retained earnings		(477,069)	-	(477,069)
Parent interest		3,773,376	-	3,773,376
Minority equity interest		-	-	-
TOTAL EQUITY		3,773,376	-	3,773,376

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

8. First-Time Adoption Of Australian Equivalents To International Financial Reporting Standards

	Note	Previous GAAP	Effect of transition to Australian equivalents to IFRS	Australian equivalents to IFRS
Reconciliation of Profit or Loss for the half-year 31 December 2004				
Revenue		-	-	-
Employee benefits expense		-	-	-
Depreciation and amortisation expense		-	-	-
Exploration expenditure written off		-	-	-
Impairment of property, plant and equipment		-	-	-
Other expenses		-	-	-
Profit before income tax		-	-	-
Income tax expense		-	-	-
Profit/(loss) for the year		-	-	-
Profit attributable to minority equity interest		-	-	-
Profit attributable to members of the parent entity		-	-	-
Reconciliation of Profit or Loss for the full to 30 June 2005				
Revenue		24,685	-	24,685
Employee benefits expense		-	-	-
Depreciation and amortisation expense		-	-	-
Diminution of investments		(281,556)		(281,556)
Exploration Expenditure written off		(225)	-	(225)
Impairment of property, plant and equipment				
Other expenses		(219,973)	-	(219,973)
Profit before income tax		(477,069)	-	(477,069)
Income tax expense		-	-	-
Profit (loss) for the year		(477,069)	-	(477,069)
Profit (loss) attributable to minority equity interest		-	-	-
Profit (loss) attributable to members of the parent entity		(477,069)	-	(477,069)

CHARTERED
ACCOUNTANTS
& BUSINESS
ADVISORS

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INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF EDEN ENERGY LTD

Scope

We have reviewed the financial report of Eden Energy Ltd (the company) for the half-year ended 31 December 2005 as set out on pages 10 to 25. The company's directors are responsible for the financial report. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 134: Interim Financial Reporting and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the financial report with the Australian Securities and Investments Commission/Australian Stock Exchange Limited.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Statement

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 the consolidated entity, comprising Eden Energy Ltd and the entities it controlled during the half-year is not in accordance with:

a. the Corporations Act 2001, including:
   i. giving a true and fair view of the financial position of the consolidated entity as at 31 December 2005 and of its performance for the half-year ended on that date; and
   ii. complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
b. other mandatory professional reporting requirements in Australia.

Inherent Uncertainty Regarding Carrying Value of Assets

Without qualification to the opinion expressed above, attention is drawn to the following matter:

The carrying value of other non-current assets of $500,068, exploration expenditure of $136,532 and intangible assets of $7,408,790 is dependent upon the company's successful exploitation of the development of the exploration properties and the recoupment of costs through the successful development and exploration of the areas of interest or alternatively by their sale at amounts at least equal to book value.

BENTLEYS MRI PERTH PARTNERSHIP

MAURICE L ANGHIE
PARTNER

DATED at PERTH this 30 day of May 2006