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EDEN ENERGY LTD
(ABN 58 109 200 900)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

EDEN ENERGY LTD
ABN 58 109 200 900

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:

Level 40, Exchange Plaza
2 The Esplanade
Perth
Western Australia 6000
Tel +61 8 9221 5323
Fax +61 8 9221 5955
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 40, Bank West Tower
108 St Georges Terrace
Perth WA 6000

EDEN ENERGY LTD
ABN 58 109 200 900

DIRECTORS' REPORT

Your directors submit the financial accounts of the company for the period ended 30 June 2005.

DIRECTORS

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

Mr Gregory H Solomon
Mr Douglas H Solomon
Mr Guy T Le Page
Mr Guiting Liu (Appointed 26 November 2004, (Resigned 22 August 2005)
Mr Graham Roland Bedford (Appointed 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
ABN 58 109 200 900

DIRECTORS' REPORT

OPERATING RESULTS

The loss for the company after providing for income tax amounted to $477,069.

PRINCIPAL ACTIVITIES

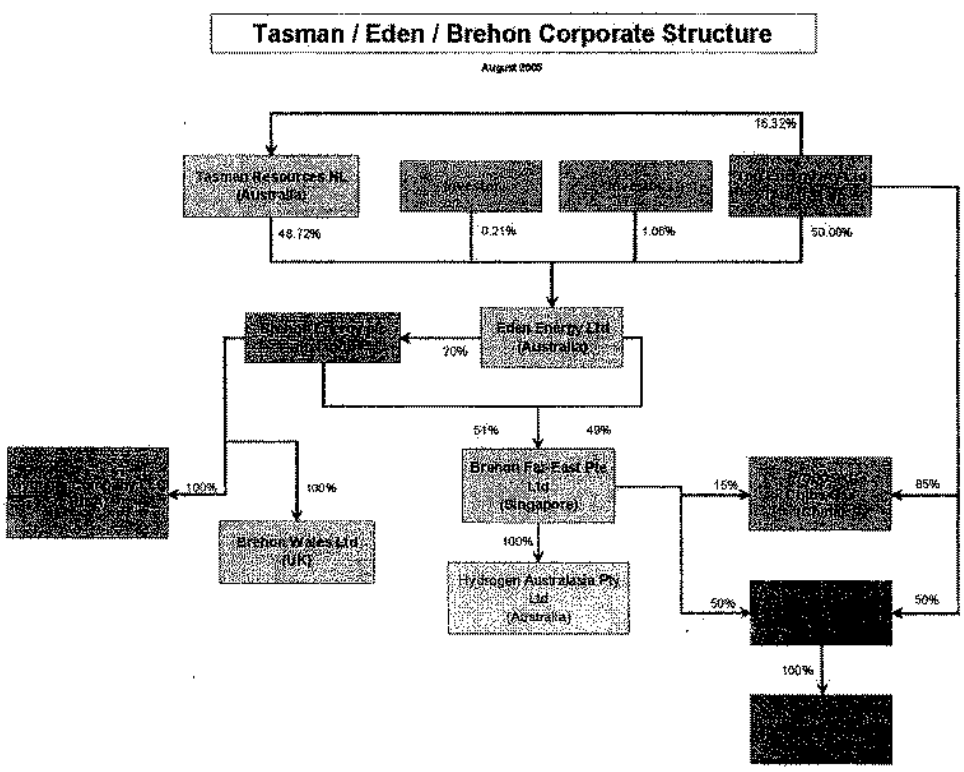
ENERGY PROJECTS

Eden Energy Ltd ("Eden"), a Tasman Resources NL subsidiary, is a diversified energy company created to provide access to range of exciting new, clean green energy opportunities. Eden holds or is acquiring interests in:

- hydrogen fuels, transport and storage;
- coal bed/coal mine methane;
- a conventional gas play; and
- geothermal (deep heat mining) energy.

The Tasman / Eden Relationship

The proposed corporate structure (subject to completion by Top Energy Pty Ltd of its obligations pursuant to an agreement dated 31 May 2005) of The Company and its subsidiary entities and their relationship to Brehon Energy plc is set out as follows:



Hydrogen & Hythane® Initiative - Summary

- The Company, on behalf of Eden entered into a Memorandum of Understanding with Irish based Brehon Energy plc ("Brehon") to form a joint company known as Brehon Far East Pty Ltd ("Brehon Far East") in which Eden will hold 49% of the issued capital;

- Under the agreement, Eden subscribed for up to 2.5million shares (representing 20% of the issued capital) in Brehon via the investment of US$1,000,000.

- Brehon Far East was granted the exclusive licence to market and distribute all Hythane® (a mixture of methane or natural gas and hydrogen) and other products owned or developed by Brehon throughout Asia, Australasia and the Pacific;

- Brehon owns or has rights to a range of leading edge Hydrogen and Hythane® technologies and patents. The technologies and patents address several of the major issues facing the transition to the Hydrogen economy;

- The US developed Hythane® technology has been developed over the last 15 – 20 years, has been successfully trialled in a wide range of applications and is ready for full scale commercialisation particularly in rapidly expanding existing CNG vehicle markets. Brehon is in discussions in respect to sales with several substantial end users in Europe. This is seen as an immediate bridge between the current hydrocarbon economy and the future hydrogen economy;

- The use of Hythane® as a fuel in lieu of CNG/Methane alone reduces CO_2, NO_x and other greenhouse gas missions. This in turn will give rise to significant carbon credits in countries that are signatories to the Kyoto Protocol. Formal European trading of carbon credits commences in 2005;

Hydrogen Storage

Brehon's Hydrogen storage technology which was initially developed as part of the NASA space program involves cryogenic (liquid and supercritical) storage of hydrogen and other gases. This enables far higher amounts of hydrogen to be stored in smaller sized tanks. This expertise is supplemented by a recent patent application by Brehon for a potentially significantly more efficient cryogenic storage tank. This technology has numerous applications including efficient storage for hydrogen powered motor vehicles which is currently one of the limiting factors in the transition to a Hydrogen economy. Brehon is in discussions with several leading automobile manufacturers to design and build prototype cryogenic storage tanks for their current developmental hydrogen vehicle programs.

Hythane

The Hythane® technology was developed and patented by Frank Lynch (owner of Hydrogen Components Inc.) starting in the 1980s. Hythane® involves the addition of a small percentage of hydrogen (usually about 7% by energy) to natural gas to create a highly efficient very low emission vehicle fuel. Hythane® reduces NO_x emissions by 95%, relative to diesel and significantly reduces CO_2.

Hythane® has been successfully demonstrated in Denver (Colorado) in 1991, Erie (Pennsylvania) in 1993, in Montreal (Quebec) in 1995, and Coachella Valley California in 2003.
Hythane® technology builds upon existing compressed natural gas (CNG) infrastructure and equipment, is fully developed, and available for immediate rollout.

Brehon Energy plc ("Brehon") acquired all the Hythane® technology in July 2004 and has engaged Frank Lynch as an exclusive consultant on Hythane® matters.

Eden has acquired a 20% interest in Brehon and a 49% interest in a joint venture marketing company named Brehon Far East Pte Ltd which holds the exclusive marketing rights for all Brehon technology for all countries in the Asia/Pacific region from Pakistan in the west to, but not including, the United States of America.

Hythane® Marketing

Whilst interest has been shown in Hythane® in California, Europe, India and Australia to date, the most immediate and rapidly emerging market for Hythane® is China.

Significant progress has been made in the Hythane project in China. There is a potential market for in excess of 500,000 Hythane powered buses in China. To date, memoranda of understanding have been signed or negotiated with 6 major Chinese cities (potential market in excess of 70,000 buses). These Memoranda of Understanding have involved the Environmental Protection Bureau, which has indicated support for the Hythane project in China.

A Chinese demonstration project is planned for October – November 2005, in which 2 Hythane® powered buses will be built, tested and demonstrated. Subject to the outcome of that trial, preliminary approval for inclusion of Hythane in the Chinese Government's 16 City Clean Air Program has been obtained. This would immediately expose the Hythane project to 16 very large cities in China, all of which have significant air pollution problems.

Preliminary agreement has also been reached with engine controller manufacturers, Chinese engine manufacturers and Chinese bus manufacturers to work in conjunction with these relevant parties to develop the product range necessary to implement Hythane as a major vehicle fuel in China.

New Brehon Technology

Significant additional work has taken place on several patents including for a conceptual portable super conducting energy storage device. An application has been lodged for a new patent in respect of a sophisticated blender for producing Hythane (blending hydrogen and natural gas). Several other patents are also very close to being applied for.

South Wales JV (Eden earning 50%)

The Company has entered into a joint venture with Welsh-based Coastal Oil and Gas Limited that will give The Company the right to acquire a 50% interest in Coal Bed Methane (CBM)/Coal Mine Methane (CMM) and Natural Gas ("NG") more than 22% of the South Wales coalfields. The Petroleum Exploration and Development Licenses (PEDL 100, 148 & 149) together cover an area of approximately 430 km².

In addition The Company has also entered into a JV to acquire a 50% interest (up to 60% if expenditure >£1M) in an interpreted Oil/Natural Gas target situated within Devonian age rocks beneath the South Wales coalfields.

Both of these potential gas resources are strategically located in and around a number of industrial sites that are potential end users.

A detailed data capture of coal seam data from hardcopy maps and plans from historic coalmines in the

$400km^2$ tenement area has been completed. The purpose of this exercise is to determine the potential

for tapping significant quantities of abandoned mine gas, and for identifying primary targets for testing unworked coal seams for possible development of coal seam gas.

Conversion of the compiled data to isopach maps and simplified 3D models is being considered. Identification of areas within the licence area that are sufficiently large to allow development of a commercial CBM well field is review. Once these areas are identified, structure and isopach maps together with 3D seam information will be used to site test wells. Permitting for the test wells takes between 6-8 weeks.

A suitable laboratory for performing the coal and gas testing programme has been identified in Germany. Negotiations to undertake the South Wales work are underway.

The search for a suitable drilling rig for the initial testing of the coal continues. A number of candidates have been identified and more detailed discussions are underway regarding capabilities, costs and availability.

South Australian Geothermal Exploration

Eden holds eight geothermal exploration licences in South Australia: GELs 166, 167, 168, 169, 175, 176, 177 and 185.

Eden's strategy will be to test the suitability of the target areas, drill test wells and, if successful, establish a power generation facility that can be used to either generate electricity or produce clean hydrogen for use as a fuel or additive to methane to produce Hythane®. It is proposed that both of these products will be marketed through the down-stream technology developed by Brehon.

Geothermal energy involves drilling holes up to 4.5km in depth into hot rocks, usually granites. The heat is produced in the rocks themselves and also comes from deeper within the Earth's core.

The hot rocks are fractured with high pressure water to open up an network of cracks. Water is pumped down one borehole, travels through the fractured rocks, is heated and then recovered up other boreholes. The aim is to recover water at the highest possible temperature (at least 220oC) and pass it through a heat exchanger that then generates electricity using turbines. In order for the target rocks to retain heat and be hot enough, a thick sedimentary "blanket" is needed.

An integrated work programme assessing the geothermal targets in the GELs is continuing. There are five targets covered by Eden's GELs, comprising a range of different target types:

1. GEL 185 is located in the Cooper Basin and adjoins the GELs held by Geodynamics Ltd, which has already drilled and proven the concept with its two holes, Habonera 1 and Habonera 2. Eden's consultants have advised that ti is reasonable to expect similar geothermal conditions on GEL 185, as it is located on the same structure and subject to similar stresses on the Geodynamic GELs.

2. GELs 166 and 167 cover the West Well geophysical anomaly, an interpreted radiogenic iron oxide system buried beneath an estimated 3km of Adelaide geosyncline sediment. The area is approximately 60km west of Leigh Creek.

3. GEL 168 covers an interpreted thermally enhanced Hiltaba age granite, adjacent to the West Well target at Mulgaria, again buried beneath several kilometres of Adelaidean sediments.

4. GEL 169 is located approximately 80km south of Moomba, near Bollards Lagoon, and targets a proposed analogue of the Geodynamics target at Habanero.

5. GEL 177 covers an area with known high thermal temperature gradients over a gravity low interpreted to be a buried granite and/or a thicker sub-basin of the Eromanga Basin near Mungeranie on the Birdsville Track.

6. To the north of Renmark, a geothermal anomaly identified in early oil exploration wells is associated with the Nadda/Berri/Murray Basin.

The West Well anomaly was drilled tested by WMC in 1979. The 762m hole WWD1 only encountered Adelaidian shales and the hole was terminated when it was concluded that any economic mineralisation would be too deep. Discussions with the driller who drilled the hole and the geologist who supervised WWD1 have revealed that the collar was pressure cemented to an approximate depth of 20m immediately upon completion of the hole. This raises the strong possibility that the hole can be successfully re-entered, the geothermal gradient measured and heatflow for the West Well anomaly estimated. A recent visit to WWD1 by Eden staff confirmed the intact status of the collar.

Eden has been successful in obtaining SA Government PACE2 funding for part of the costs involved in re-entering WWD1 and measuring the downhole temperatures. The rig contracted for the Marathon South drilling programme will be used to ream out the cement in the hole and run a BQ string to the bottom of the old hole. A small amount of fresh core will be drilled to provide data about the thermal conductivity of the Adelaidian sediments. It is anticipated that this work will occur in October 2005, once heritage and access issues are successfully concluded.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

1,200,000 ordinary fully paid shares were issued at 10 cents per applications, together with 600,000 free options to acquire ordinary fully paid shares on or before 30 September 2009

20,000,000 ordinary fully paid shares were issued at 10 cents per share as per applications, together with 10,000,000 free options to acquire ordinary fully paid shares on or before 30 September 2009

5,000,000 ordinary fully paid shares were issued at 10 cents per share as per applications, together with 2,500,000 free options to acquire ordinary fully paid shares on or before 30 September 2009

17,800,000 ordinary fully paid shares were issued at 10 cents per share as per applications, together with 8,900,000 free options to acquire ordinary fully paid shares on or before 30 September 2009

EVENTS SUBSEQUENT TO BALANCE DATE

Mr Guiting Liu resigned as director and Mr Graham Roland Bedford was appointed as a director in August 2005.

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

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.

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 81,000,000 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.

EDEN ENERGY LTD
ABN 58 109 200 900

DIRECTORS' REPORT

AUDITORS INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2005 has been received and can be found on page 10 of the director's report.

Signed in accordance with a resolution of the Board of Directors

G H Solomon
Director
Signed in Perth this 31st day of October 2005

CHARTERED
ACCOUNTANTS
& BUSINESS
ADVISORS

A MEMBER OF
MOORES ROWLAND
INTERNATIONAL

Bentleys mri
Thinking ahead

Bentleys MRI Perth Partnership
ABN 17 735 344 518

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West Perth WA 6005
Australia

PO Box 570 West Perth WA 6872

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F 61 8 9322 7787

admin@pert.bentleys.com.au
www.bentleys.com.au

31 October 2005

The Board of Directors
Eden Energy Limited
Level 40, Exchange Plaza
2 The Esplanade
PERTH WA 6000

Dear Board Members,

EDEN ENERGY LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Eden Energy Limited.

As audit partner for the audit of the financial statements of Eden Energy Limited for the year ended 30 June 2005, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely,

BENTLEYS MRI PERTH PARTNERSHIP

MAURICE L ANGHIE
PARTNER

EDEN ENERGY LTD
ABN 58 109 200 900

DIRECTORS DECLARATION

The directors of the company declare that:

1 the financial statements and notes, as set out on pages 12 to 26 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 30 June 2005 and of its performance for the 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.

G H Solomon
Director

Signed in Perth this 31st day of October 2005

EDEN ENERGY LTD
ABN 58 109 200 900

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2005

	NOTE	2005 $	2004 $
CURRENT ASSETS			
Cash Assets	5	2,289,658	1
Receivables	6	450,237	-
TOTAL CURRENT ASSETS		2,739,895	1
NON CURRENT ASSETS			
Other financial assets	7	1,310,735	
Investment accounted for using the equity method	8	-	-
Exploration Expenditure	10	57,082	23,926
TOTAL NON CURRENT ASSETS		1,367,817	23,926
TOTAL ASSETS		4,107,712	23,926
CURRENT LIABILITIES			
Payables	11	334,336	23,926
TOTAL CURRENT LIABILITIES		334,336	23,926
NET ASSETS		3,773,376	23,926
EQUITY			
Contributed Equity	12	4,250,445	1
Accumulated losses	13	(477,069)	-
TOTAL EQUITY		3,773,376	1

The accompanying notes form part of these financial statements.

EDEN ENERGY LTD
ABN 58 109 200 900

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2005

	NOTE	2005 $	2004 $
Other revenues from ordinary activities	3	24,685	-
Administration expenses		(219,973)	-
Exploration expenditure written off		(225)	
Diminution on investments		(281,556)	
Loss from ordinary activities before income tax expense	4	(477,069)	-
Income tax (expense) / benefit	2	-	-
Loss from ordinary activities after income tax expense		(477,069)	-
Basic earnings per share (cents per share)	17	(0.9233)	-

The accompanying notes form part of these financial statements.

EDEN ENERGY LTD
ABN 58 109 200 900

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2005

	NOTE	2005 $ Inflows (Outflows)	2004 $ Inflows (Outflows)
Cashflows From Operating Activities			
Payments to suppliers		(199,593)	-
Interest received		24,685	-
Goods and Service Tax refunds		21,794	-
Net cash outflows from operating activities	17 (b)	(153,114)	-
Cash Flows From Investing Activities			
Exploration expenditure		(33,156)	-
Investment in associated entities		(1,341,308)	-
Investment in joint venture		(250,983)	-
Loans to associated entities		(431,751)	-
Loans from associated entities		249,525	-
Net cash outflows from investing activities		(1,807,673)	-
Cash Flows From Financing Activities			
Proceeds from issue of shares		4,400,000	1
Share Issue Costs		(149,556)	-
Net cash inflows from financing activities		4,250,444	1
Net increase (decrease) in cash held		2,289,657	1
Cash at beginning of the financial year		1	-
Cash at the end of the financial year	17 (a)	2,289,658	1

The accompanying notes form part of these financial statements.

EDEN ENERGY LTD
ABN 58 109 200 900

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

1. Statement of Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Statements Board and the Corporations Act 2001.

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 an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration in exchange for assets.

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.

(a) **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.

(b) **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.

EDEN ENERGY LTD
ABN 58 109 200 900

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

1. Statement of Accounting Policies (Cont'd)

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.

(c) Property, Plant and Equipment

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

Plant and Equipment
Plant and equipment are measured on the cost basis.

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.

Depreciation
The depreciable amount of all fixed assets 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. The depreciation rates used for Plant and Equipment are 15-50%

(d) 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.

(f) Revenue

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

(g) Franking Credits

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

(h) 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.

1. Statement of Accounting Policies (Cont'd)

(i) International Financial Reporting Standards

The company is preparing and managing the transition to Australian Equivalents to International Financial Reporting Standards (AIFRS) effective for the financial years commencing from 1 January 2005. The adoption of AIFRS will be reflected in the company's financial statements for the year ending 30 June 2006. On first time adoption of AIFRS, comparatives for the financial year ended 30 June 2005 are required to be restated. The majority of the AIFRS transitional adjustments will be made retrospectively against retained earnings at 1 July 2004.

The company's management, along with its auditors, are assessing the significance of the expected changes and preparing for their implementation. Appropriate processes have been set in place to oversee and manage this transition to AIFRS. The impact of the alternative treatments and elections under AASB 1: First Time Adoption of Australian Equivalents to International Financial Reporting Standards has been considered where applicable.

The directors are of the opinion that the key material differences in the company's accounting policies on conversion to AIFRS and the financial effect of these differences, where known, are as follows. Users of the financial statements should note, however, that the amounts disclosed could change if there are any amendments by standard-setters to the current AIFRS or interpretation of the AIFRS requirements changes.

Impairment of Assets – Under AASB 136: Impairment of Assets, the recoverable amount of an asset is determined as the higher of fair value less costs to sell, and value in use. In determining value in use, projected future cash flows are discounted using a risk adjusted pre-tax discount rate and impairment is assessed for the individual asset or at the 'cash generating unit' level. A 'cash generating unit' is determined as the smallest group of assets that generates cash flows that are largely independent of the cash inflows from other assets or groups of assets. The current policy is to determine the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the asset's use and subsequent disposal. It is likely that this change in accounting policy will lead to impairments being recognised more often.

Income Tax – Income tax will be calculated on the "balance sheet" approach under which temporary differences are identified for each asset and liability. As tax effects follow the underlying transaction, some tax effects will be recognised in equity.

On transition to AIFRS the estimated cumulative financial effect of reliably known differences will be not reduce the companies reported total equity at 30 June 2005.

(j) Comparative Figures

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

EDEN ENERGY LTD
ABN 58 109 200 900

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

	2005 $	2004 $
2. Income Tax		
The prima facie tax (benefit) on loss from ordinary activities before income tax is reconciled to the income tax as follows;		
Prima facie tax on loss from ordinary activities before income tax @ 30%	(143,121)	-
Tax effect of permanent differences	-	-
Expenditure incurred in exploration activities claimable under Section 40-730 (Division40H)	(8,305)	(1,643)
Depreciation of Exploration Licences acquisition costs	(1,366)	(92)
Accrued expenses	2,536	-
Future income tax benefits not recognised	150,256	1,735
Income tax expense/(benefit) attributable to loss from ordinary activities before income tax	-	-
Future income tax benefit arising from tax losses not brought to account at balance date as realisation of the benefits is not regarded as virtually certain	150,256	1,735
3. Revenue		
Operating Activities		
- interest revenue	24,685	-
Total Revenue	24,685	-
4. Loss from Ordinary Activities		
Loss from ordinary activities before income tax has been determined after		
(a) Expenses		
Exploration expenditure written off	225	-
Dimintion of investments	281,556	-
5. Cash Assets		
Cash on hand	501	1
Cash at bank	2,289,157	-
	2,289,658	1

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

		2005 $	2004 $
6. Receivables			
Current:			
Associated Entity Loans		445,078	-
GST Refunds		2,575	-
Cash Advances		2,584	-
		450,237	-
7. Other financial assets			
Unlisted investments at cost			
Shares in associates	Note 9	1,341,309	-
Less provision for diminution		(281,556)	-
		1,059,753	-
Investment in joint venture		250,983	-
		1,310,735	-

The company has entered into a joint venture with Welsh-based Coastal Oil and Gas Limited that will give the economic entity the right to acquire a 50% interest in Coal Bed Methane (CBM)/Coal Mine Methane (CMM) and Natural Gas ("NG"). In addition the company has also entered into a JV to acquire a 50% interest (up to 60% if expenditure >£1M) in an interpreted Oil/Natural Gas target situated in South Wales coalfields. The above are the costs to date to earn those rights.

		2005	2004
8. Investments accounted for using the equity method			
Associated companies	Note 9	-	-

9. Associated Companies

Interests are held in the following associated companies

Name	Principle Activities	Ownership Interest 2005 %	Ownership Interest 2004 %	Carrying Amount of Investment 2005 $	Carrying Amount of Investment 2004 $
Unlisted:					
Brehon Far East Pte Ltd	Marketing of Hythane in Asia Ordinary shares	49.00	-	-	-
Brehon Energy plc	Hydrogen and Hythane technology development and marketing Ordinary shares	19.17	-	1,059,753	-

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

		2005 $	2004 $
10.	**Exploration Expenditure**		
	Costs carried forward in respect of areas of interest in:		
	- Exploration and evaluation phases	57,082	23,926
	Total exploration expenditure	57,082	23,926
11.	**Payables**		
	Current:		
	Creditors and accruals	334,336	23,926

		Note	2005 $	2004 $
12.	**Contributed Equity**			
	Ordinary shares fully paid			
	94,000,000 (2004 1)	12 (a)	4,400,001	1
	Options			
	79,500,000 (2004 nil)	12 (b)	-	-
			4,400,001	1

(a) Movements in Contributed Equity During the Year
Ordinary shares fully paid

	No.	2005 $	2004 $
Opening balance (2004 Nil)			
Issue of shares - prior year	1	-	1
(i) 08 Aug 2004	49,999,999	-	-
(ii) 24 Sep 2004	1,200,000	120,000	-
(iii) 12 Nov 2004	20,000,000	2,000,000	-
(iv) 08 Jun 2005	5,000,000	500,000	-
(v) 30 Jun 2005	17,800,000	1,780,000	-
Less share issue costs		(149,555)	-
Closing Balance (2004 1)	94,000,000	4,250,445	1

			2005 $	2004 $
12.	**Contributed Equity** **(b) Options**			
	Movements in Contributed Equity During the Year	**No.**		
	Options expiring 28 February 2006			
	Opening balance (2004 nil)	-	-	-
	(i) 08 Aug 2004	50,000,000	-	-
	(ii) 24 Sep 2004	600,000	-	-
	(iii) 12 Nov 2004	10,000,000	-	-
	(iv) 13 Jan 2005	6,000,000	-	-
	(v) 01 Mar 2005	1,500,000	-	-
	(vi) 08 Jun 2005	2,500,000	-	-
	(v) 30 Jun 2005	8,900,000	-	-
	Closing Balance (2004 nil)	79,500,000	-	-
13.	**Accumulated Losses**			
	Accumulated losses at the beginning of the financial year		-	-
	Net loss for the year		(477,069)	-
	Accumulated losses at the end of the financial year		(477,069)	-

14. Related Party Transactions

Transactions with related parties, unless otherwise stated, are at normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:
(a) Director related parties

	2005 $	2004 $
Management and administration fees paid to Princebrook Pty Ltd, a company in which Mr GH Solomon and Mr DH Solomon have an interest	74,226	-

	2005 $	2004 $
14. Related Party Transactions (Cont'd)		
Legal and professional fees to Solomon Brothers, a firm of which GH Solomon and Mr DH Solomon are partners	29,977	-

(b) The number of ordinary shares in which the directors have a relevant interest at the 30 June 2005 are:

	Opening Balance	Ordinary Shares acquired during the year	Ordinary Shares disposed of during the year	Closing Balance
GH Solomon	-	-	-	-
DH Solomon	-	-	-	-
GT Le Page	-	-	-	-
G Liu	-	47,000,000	-	47,000,000

(c) The number of options to acquire ordinary shares in which the directors have a relevant interest at the 30 June 2005 are:

(d)

	Opening Balance	Options acquired during the year	Options disposed of during the year	Closing Balance
GH Solomon	-	1,500,000	-	1,500,000
DH Solomon	-	1,500,000	-	1,500,000
GT Le Page	-	1,500,000	-	1,500,000
G Liu	-	25,000,000	-	25,000,000

15. 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.

	2005	2004
	$	$

15. Commitments (Cont'd)

Other Commitments

The company, through Eden Energy Ltd, has entered into the following commitments: -

I. To fund exploration expenditure in South Wales pursuant to the joint Venture with Coastal Oil and Gas Limited in respect of coal bed methane, coal mine methane and conventional hydrocarbons on two Petroleum Exploration and development Licences covering an area of 430km². The estimated aggregate expenditure if these proceed is in the order of £2-2.5 million over 3-5 years.

These full commitments are dependent upon Eden Energy Ltd raising capital to meet these obligations.

16. Remuneration and Retirement Benefits

(a) Directors Remuneration

	2005	2004
Income paid or payable to all directors of the company	110,042	-
Number of directors whose income from the parent entity or any related parties was within the following bands	No.	No.
$10,000 - $19,999	3	-
$70,000 - $79,999	1	-

The names of the directors who have held office during the financial year are:

Mr GH Solomon
Mr DH Solomon
Mr GT Le Page
Mr G Liu (appointed 26 November 2004)

(b) Retirement and Superannuation Payments

No prescribed benefits were given during the year to a director in connection with retirement from a prescribed office. Statutory superannuation payments are made and included in salary payments shown at 16(a).

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

17. Notes to the statements of cash flows

(a) Reconciliation of Cash
For the purpose of this statement of cash flows, cash includes:-

(i) cash on hand and in at call deposits with banks or financial institutions, net of bank overdrafts; and

Cash at the end of the year is shown in the balance sheet as:

	2005 $	2004 $
Cash at Bank and on hand	2,289,658	1
	2,289,658	1

(b) Reconciliation of the operating loss after income tax to the net cash flow used in operations

	2005 $	2004 $
Operating loss after income tax	(443,609)	-
Non-cash flows in operating loss		
Diminution of investments	281,556	-
Changes in assets and liabilities		
Decrease(Increase) in receivables	8,939	-
Increase(Decrease) in creditors and accruals	-	-
	(153,114)	-

18. EARNINGS PER SHARE

		2005 $	2004 $
(a)	Reconciliation of Earnings to Net Loss Operating loss	(443,609)	-
	Earnings used in the calculation of basic EPS	(443,609)	-
(b)	Weighted average number of ordinary shares on issue used in calculation of basic earnings per share	51,668,494	-

	2005	2004
	$	$

18. EARNINGS PER SHARE (Cont'd)

(c) As at 30 June 2005 the company had 79,500,000 options on issue exercisable at 20 cents per share on or before 30 September 2009. These options are not considered to be potential ordinary shares for the calculation of dilutive earnings per share. Dilutive earnings per share have not been disclosed as its calculation does not show an inferior view of the earnings performance to that shown by the basic earnings per share.

19. EVENTS SUBSEQUENT TO BALANCE DATE

Mr Guiting Liu resigned as director and Mr Graham Roland Bedford was appointed as a director in August 2005.

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

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.

20. AUDITORS REMUNERATION

Amounts, received or due and receivable by auditors for:

	2005	2004
- auditing the accounts	4,000	-
- other services	-	-

21. SUPERANNUATION

All employees are entitled to varying benefits on retirement, disability or death and the end benefit is determined by the accumulation of contributions and earnings of the fund and various options within the fund available to each employee. The company makes contributions to the funds at the rate of 9% of gross salaries and wages. These contributions are legally enforceable in Australia.

	2005	2004
	$	$

22. FINANCIAL INSTRUMENTS

(a) INTEREST RATE RISK

The company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates at the effective weighted average interest rates on those financial assets and financial liabilities is as follows

	FLOATING INTEREST		WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	
	2005	2004	2005	2004
(i) Financial Assets	$	$	%	%
Cash at Bank	2,289,657	-		-
Total Financial Assets	2,289,657	-		
(ii) Financial Liabilities				
Total Financial Liabilities	-	-		

(b) NET FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The aggregate net fair values of financial assets and financial liabilities, at the balance date, are approximated by their carrying value as represented in the Statement of Financial Position.

(c) CREDIT RISK EXPOSURES

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provision for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.

CHARTERED
ACCOUNTANTS
& BUSINESS
ADVISORS

A MEMBER OF
MOORES ROWLAND
INTERNATIONAL

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Thinking ahead

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INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF EDEN ENERGY LIMITED

SCOPE

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Eden Energy Limited, for the year ended 30 June 2005.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

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

In our opinion, the financial report of Eden Energy Limited is in accordance with:

a. the Corporations Act 2001, including:

    i. giving a true and fair view of the company's financial position as at 30 June 2005 and of its performance for the year ended on that date; and
    ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

b. other mandatory professional reporting requirements in Australia.

Inherent Uncertainty Regarding carrying Value of Capitalised Acquisition and Exploration Costs

Without qualification in the opinion expressed above, attention is drawn to the carrying value of mining tenements and exploration expenditure carried forward as referred to in Note 11, is dependent upon the company's rights to tenure of the areas of interest, the results of future exploration and the recoupment of costs through 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

M L Anghie
Partner

Dated at PERTH this 31st day of October 2005