Annual Report

for the Year Ended 30 June 2007

Eden Energy Ltd & Controlled Entities

ABN 58 109 200 900

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CORPORATE DIRECTORY

DIRECTORS:
Gregory Howard Solomon LLB (Executive)
Douglas Howard Solomon BJuris LLB (Hons) (Non-Executive)
Guy Touzeau Le Page B.A., B.Sc. (Hons).,M.B.A., ASIA., MAusIMM (Non-Executive)
Gregory Joseph Egan B.A. (Non-Executive)
Andrew Leibovitch (Non-Executive) ACA (United Kingdom)
Richard Beresford (Non-Executive) FAICD FAIE

COMPANY SECRETARY:
Raymond Francis Buscall

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2 The Esplanade
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Western Australia 6000
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SOLICITORS:
Solomon Brothers
Level 40, Exchange Plaza
2 The Esplanade
Perth WA 6000

Minter Ellison
1 King William Street
Adelaide SA 5000

AUDITORS:
Bentleys MRI Perth Partnership
Chartered Accountants
Level 1
10 Kings Park Road
West Perth WA 6005

SHARE REGISTRY:
Advance Share Registry Services
110 Stirling Highway
Nedlands WA 6009

STOCK EXCHANGE LISTING:
ASX Code: EDE (ordinary shares) EDEO (options expiring 30 September 2009)

Quotation has been granted for all the ordinary shares and all issued options of the company on all Member Exchanges of the Australian Securities Exchange Limited.

CORPORATE GOVERNANCE STATEMENT

Corporate Governance

The Board of Directors is responsible for the corporate governance of the company. The Board monitors the business affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Board of Directors acknowledge the Principles of Good Corporate Governance and Best Practice Recommendations set by the Australian Securities Exchange ("ASX") Corporate Governance Council. However, in view of the Company's current size and extent and nature of operations, full adoption of the recommendations is currently not practical. The Board will continue to work towards full adoption of the recommendations in line with growth and development of the Company in the years ahead. Where the Company's framework was different to the Principles of Good Corporate Governance and Best Practice Recommendations set by the ASX Corporate Governance Council, it has been noted below.

A summary of the current corporate governance practices as adopted by the Board are as follows:

The Board of Directors

Board Responsibilities

The Board assumes responsibility for overseeing the affairs of the Company by ensuring that they are carried out in a professional and ethical manner and that business risks are effectively managed.

The board carries out its responsibilities according to the following mandate:-

- The Company's Constitution fixes the number of Directors to at least three directors and not more than six. The Board currently consists of three, with at least two-thirds being non-executive directors;
- The directors should possess a broad range of skills qualifications and experience;
- The Company's Constitution requires that not less than one third of the all the Directors other than the Managing Director retire by rotation at each annual general meeting. Directors appointed during the period since the last annual general meeting of the company must submit themselves for election at the next Annual General Meeting;
- The full board meets formally to conduct appropriate business. The Board uses resolutions in writing signed by all Directors to deal with matters requiring decisions between meetings;
- All available information in connection with items to be discussed at a meeting of the board shall be provided to each director prior to that meeting.

The primary responsibilities of the Board include:-

- Review and ratify systems of risk management and internal compliance and control, codes of conduct, legal compliance, and any other regulatory compliance;
- Approve and monitor the progress of major capital expenditure, capital management, and acquisition and divestitures;
- Approve and monitor financial and other reporting to shareholders and the market;
- Monitor the Board composition, Director selection, Board process and performances and ensure Directors have an understanding of the consolidated entities business;
- Monitor and influence the key standards of the consolidated entity including Ethical Standards, reputation and culture;
- The approval of the annual and half-yearly financial report;
- The review and adoption of annual budgets for financial performance of the consolidated entity and the monitoring of results;

Ensuring that the consolidated entity is able to pay its debts as and when they fall due.

The Company discloses the details of qualifications and experience of each Director in its annual report.

Due to the Company's current size and extent and nature of operations, the following departures from the Principles of Good Corporate Governance and Best Practice Recommendations have occurred:-

The Company does not have a majority of independent directors;

The Chairman of the Board is an executive director.

Board Committees

Remuneration Committee

Due to the Company's current size and extent and nature of operations, the following departures from the Principles of Good Corporate Governance and Best Practice Recommendations have occurred:-

The Company does not have a Remuneration Committee. The Board believes that, with the number of Directors on the Board, the Board itself is the appropriate forum to deal with this function.

The Company's Constitution allows for a maximum amount per annum to be paid to non-executive directors to be allocated at the discretion of the Directors. Any changes to the annual amount must be approved at a General Meeting of members of the Company.

Audit Committee

Due to the Company's current size and extent and nature of operations, the following departures from the Principles of Good Corporate Governance and Best Practice Recommendations have occurred:-

The Company does not have an Audit Committee. The Board believes that, with the number of Directors on the Board, the Board itself is the appropriate forum to deal with this function.

Nomination Committee

Due to the Company's current size and extent of nature and operations, the following departures from the Principles of Good Corporate Governance and Best Practice Recommendations have occurred:-

The Company does not have a Nomination Committee. The Board believes that, with the number of Directors on the Board, the Board itself is the appropriate forum to deal with this function.

Independent Professional Advice

With prior approval of the Chairman, each director has the right to seek independent legal and other professional advice at the consolidated entity's expense concerning any aspect of the consolidated entity's operations or undertaking in order to fulfil their duties and responsibilities as directors.

Ethical Standards

The Board endeavours to ensure that the Directors, officers and employees of the Company act with integrity and observe the highest standards of behaviour and business ethics in relation to their corporate activities.

Specifically, that Directors, officers and employees must:-

Comply with the law;

Act in the best interests of the Company;

Be responsible and accountable for their actions; and

Observe the ethical principles of fairness, honesty and truthfulness, including disclosure of potential conflicts.

Trading Policy

It is the company's policy to encourage Directors and employees to own Shares in the Company. The trading in shares policy reinforces the obligations of Directors and employees of the Company, under the Corporations Act 2001 and the ASX Listing Rules in relation to trading in Company Shares. The policy restricts directors and employees from acting on material information until it has been released to the market. Directors are required to report share trading to the Company Secretary.

Continuous Disclosure

The Executive Chairman and Company Secretary have been appointed as the persons responsible for communications with the ASX. These people are also responsible for ensuring the compliance with the continuous disclosure requirements in the ASX listing rules and overseeing and co-ordinating information disclosure to the ASX.

The Executive Chairman and the Company Secretary are responsible for the communications strategy to promote effective communications with shareholders and encourage effective participation at general meetings. The Company adheres to best practice in its preparation of Notices of Meetings to ensure all shareholders are fully informed.

Risk Management

The Board is responsible for the consolidated entity's system of internal controls. The Board constantly monitors the operation and financial aspects of the consolidated entity's activities and considers the recommendations and advice of external auditors and other external advisers on the operations and financial risks that face the consolidated entity.

The Board ensures that recommendations made by the external auditors and other external advisers are investigated and, where considered necessary, appropriate action is taken to ensure that the consolidated entity has an appropriate internal control environment in place to manage the key risks identified.

In addition, the Board investigates ways of enhancing existing risk management strategies, including appropriate segregation of duties and the employment and training of suitably qualified and experienced personnel.

Due to the Company's current size and extent and nature of operations, the following departures from the Principles of Good Corporate Governance and Best Practice Recommendations have occurred:-

The Company does not have a full time chief executive officer or chief financial officer and therefore statements are not obtained from such persons in relation to Best Practice Recommendation 4.1.

Code of Conduct

As part of the Board's commitment to the highest standard of conduct, the consolidated entity requires executives, management and employees in carrying out their duties and responsibilities to act ethically and lawfully with respect to all transactions and matters including:-

Responsibilities to shareholders;

Compliance with laws and regulations;

Relations with customers and suppliers;

Ethical responsibilities;

Employment practices; and

Responsibilities to the environment and the community.

Due to the Company's current size and extent and nature of operations, the following departures from the Principles of Good Corporate Governance and Best Practice Recommendations have occurred:-

The Company has not established a Formal Code of Conduct in accordance with Best Practice Recommendation 10.1.

Communicating with Shareholders

The Board ensures that shareholders are kept informed of all major developments that affect their shareholding or the Consolidated Entity's State of Affairs through quarterly, half yearly, annual and ad hoc reports. All shareholders are encouraged to attend the Annual General Meeting to meet the Chairman and Directors and to receive the most updated report on the consolidated entity's activities.

Other Information

Further information relating to the company's corporate governance practices and policies has been made publicly available on the company's web site at www.edenenergy.com.au. Shareholders may communicate with the Company through its email address.

DIRECTORS' REPORT

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2007.

Directors

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

Gregory Howard Solomon

Douglas Howard Solomon

Guy Touzeu Le Page

Gregory Joseph Egan

Graham Roland Bedford (Resigned 8 September 2006)

Andrew Leibovitch (Appointed 8 May 2007)

Richard Beresford (Appointed 8 May 2007)

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

Company Secretary

The following person held the position of company secretary at the end of the financial year:

Raymond Francis Buscall. Mr Buscall has worked for Eden Energy Ltd for the last 3 years, since incorporation, performing the financial management roles of the business. Mr Buscall was appointed company secretary in May 2004.

Principal Activities

The principal activities of the consolidated group during the financial year were:

- Eden Energy Ltd ("Eden") 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.

There were no other significant changes in the nature of the consolidated group's principal activities during the financial year.

Operating Results

The consolidated loss of the consolidated group after providing for income tax amounted to $7,151,612.

Dividends Paid or Recommended

No dividends were paid or declared for payment during the year.

DIRECTORS' REPORT

Review of Operations

Eden Energy Limited ("Eden") successfully completed its IPO on 6 June 2006, raising $8.4 million in capital. Eden's first year has been extremely successful, with great progress made in expanding Eden's alternate energy operations. A summary of the major achievements for the year 1 July 2006 to 30 June 2007 follows.

HYDROGEN AND HYTHANE®

Eden's flagship projects are its hydrogen-related projects, all of which are based in the United States of America but target a global market, particularly India and China. Eden intends to become one of the leading hydrogen companies in the world. Its hydrogen technology encompasses three primary areas:

(1) production of hydrogen;
(2) blending and use of hydrogen; and,
(3) cryogenic storage of hydrogen.

PRODUCTION OF HYDROGEN

HyRadix Inc (100% owned subsidiary of Eden)

In April 2007, Eden acquired all of the issued capital in HyRadix Inc, a Chicago-based company that specialises in on-site production of hydrogen from Natural Gas using an auto-thermal chemical process.

HyRadix was established some several years previously by a major US petroleum engineering company. Prior to Eden's purchase, HyRadix had fully developed and brought to commercial production an on-site hydrogen reformer.

This reformer is in commercial use in California, where it is used for production of hydrogen at the Sunline Transit Agency, which uses the hydrogen for hydrogen fuel cell buses and Hythane® powered buses.

The same on-site reformer is also in commercial use in Malaysia, where it is used for production of hydrogen for use in the processing of palm oil, and in China, where the hydrogen is used in the heat treatment of steel.

HyRadix has a very strong technical base and has been marketing its technology, predominantly into the industrial gas sector, where on-site hydrogen production is seen as a very viable alternative to delivery of bottled hydrogen gas. A significant market is emerging for this equipment, and there are more than 70 potential sales opportunities being pursued by the HyRadix sales team in the USA, Europe and Asia.

HyRadix provides Eden the opportunity to have, in house, one of the world's leading hydrogen reformer technologies, which gives Eden the opportunity, when marketing Hythane®, to provide a total turnkey solution to any customer by supplying not only their hydrogen requirements (produced from

Natural Gas) but also to supply their storage and engine conversion requirements.

Soon after the acquisition of HyRadix, the HyRadix engineers went to India where steps are now underway to have the entire range of HyRadix equipment manufactured in India by Larsen & Toubro, a world-renowned and India's largest engineering group that is planning to manufacture the HyRadix range of equipment and achieve world-class products at a very low and competitive cost.

UNIVERSITY OF QUEENSLAND ("UQ") – PYROLYSIS PROJECT (EDEN 50%)

During the year, great progress was made on the pyrolysis research project being conducted jointly with UQ. This project involves a new catalytic process for production of hydrogen and solid carbon from methane (CH_4), thus avoiding the production of CO_2.

Very encouraging laboratory scale results were achieved, and a patent has been applied for. Steps are now underway to scale up the project, with a view to developing a full prototype within the next 12-18 months. Eden and UQ received a grant from the Australian Research Council of nearly $400,000 to help fund this project.

HYTHANE® BLENDING AND USE OF HYDROGEN

Hythane Co LLC (100% owned subsidiary of Eden)

Hythane® is an ultra-low emission, high-efficiency blend of hydrogen (7% by energy) and Natural Gas (93% by energy), which Hythane Company LLC, another subsidiary of Eden, is marketing on a global basis.

Eden's original entry into the hydrogen market commenced with the acquisition of the Hythane® technology in 2004.

Hythane® enables properly tuned engines to operate at up to 10% greater efficiency, and at the same time to reduce nitrogen oxides (NO_x), the major cause of photochemical smog, by up to 50% compared with Natural Gas engines.

Hythane Company LLC, which operates out of Denver, Colorado, has been marketing Hythane®, mainly in India and USA during the current year.

In India, great progress has been made. Formal agreements were entered into with:

1. Ashok Leyland – a very large Indian bus and truck manufacturer which supplies up to 80% of Indian Government owned bus fleets. At the date of this report, work is nearing completion on the Hythane® conversion of Ashok Leyland's leading Natural Gas engine.
2. Gujarat State Petroleum Corporation (GSPC). GSPC is a major oil and gas producer and marketer, based in the State of Gujarat. Under the terms of the agreement, GSPC will assist Hythane Company LLC to market and promote Hythane® in India.

3. Larsen & Toubro (L&T). L&T is a world-renowned engineering company which is the largest engineering operation in India. Under the arrangement, L&T will manufacture all of the Eden equipment requirements (both in India and overseas).

Several other major joint ventures and agreements are also under negotiation.

The Indian market for Hythane® is seen as the largest and best market in the world, with a potential over the next five to ten years, for up to 500,000 buses and perhaps 30,000 to 50,000 generators that could be converted to run on Hythane®. In India, Natural Gas sells for approximately 40% less than diesel fuel. A very large increase in both the supply and availability of Natural Gas is anticipated over the next five years. Furthermore, the Federal Government and the Indian Supreme Court are progressively forcing many cities to convert their entire public transport to operate on Natural Gas. Eden's intention is to be a major supplier of the equipment required to produce the hydrogen and to blend the hydrogen and the Natural Gas, and to assist with all necessary engine conversions to enable Hythane® operation.

In addition, air pollution, and in particular NO_x and photochemical smog, is rapidly worsening throughout India and the Government has established a fund of US$2.5 million to fund research and development into the use of hydrogen and Hythane® as vehicle fuels.

As well as the progress in India, several demonstration projects for Hythane® are under negotiation in California and northeastern USA.

CRYOGENIC STORAGE OF HYTHANE AND OTHER GASES

Eden Cryogenics LLC (100% owned subsidiary of Eden)

The third aspect of Eden's hydrogen strategy has been the establishment during 2006 of Eden Cryogenics LLC in Ohio, to manufacture and market a range of high quality pipes, valves and fittings for use in the cryogenic industry.

Eden Cryogenics has now completed a comprehensive product catalogue and is actively marketing a diverse range of cryogenic equipment to a variety of aerospace and other industries. Eden Cryogenics is projecting a significant increase in turnover during the next 12 months. In addition to its general cryogenic business, Eden Cryogenics will also provide support to Hythane Co with cryogenic storage of liquid hydrogen as required and cryogenic Hythane®, a mixture of liquefied Natural Gas (LNG) and hydrogen, which Hythane Co is currently developing for use where LNG is used as a fuel rather than compressed Natural Gas (CNG).

SOUTH WALES COAL BED METHANE PROJECT (EDEN EARNING 50%)

During the past 12 months, Eden has progressed its second major project, its Coal Bed Methane ("CBM") farm-in agreement in South Wales. Before the end of the financial year, drilling commenced on the first of three coal bed methane exploration wells in South Wales to test initial CBM parameters including the gas content and quality, and the permeability of the coal seams. This data is required to start to determine the economic potential of coal bed methane in the licence area. The licences cover 430km^2, or approximately 20% of the total area of the South Wales coalfields. Historically, these coal fields were amongst the gassiest in the UK, but no work has previously been done on the permeability and very little previous testing of the gas content has occurred.

Under the terms of the farm-in agreement, Eden will earn a 50% interest in the licences covering the full 430km^2 by expending not less than £1 million on drill testing the various blocks that comprise the three licence areas.

The results of the three well test programme will be progressively received over the next four months. Since the end of the year, the preliminary gas results from the first drill hole near Port Talbot (Aberavon 1) were received. Results included gas content levels of up to 9m^3/tonne and permeability levels, for the two seams tested, of 44 and 18mD, which are considered to be high and moderate respectively.

These results are extremely encouraging as they would be within the commercial range for CBM projects in Australia. If supported by the results from the next two drill holes, these results will greatly increase the chance that Eden will have a major share in a potentially significant gas resource located very close to infrastructure, and in a market where during the past 12 months has seen the price of gas rise to as much as 10-20 times the prices in Australia.

ABANDONED MINE METHANE ("AMM") SOUTH WALES (EDEN EARNING 50%)

No substantive work was undertaken on the significant AMM targets associated with the old South Wales coalfields, apart from maintaining access agreements, ongoing discussions with potential customers and negotiations for supply of electricity into the grid from AMM gas-fired generators. It is hoped to drill test a number of AMM targets in the first quarter of 2008.

SOUTH AUSTRALIAN GEOTHERMAL PROJECTS (EDEN 100%)

During the year, work reviewing data, planning test holes and geophysical surveys, and permitting work was completed on the geothermal licences held by Eden. Eden currently holds eight granted Geothermal Exploration Licences over six targets in South Australia. An additional two GEL applications are pending over an additional target in SA and a new application has been made in NSW.

The licence areas held include 500km^2 which adjoins the Geodynamic licences in the Cooper Basin, near Innamincka and 1000km^2 near Renmark in South Australia, approximately 30-40km from national power grid transmission lines in SA and NSW.

The geothermal target near Renmark, in the Renmark Tararra Trough, a geothermal prospecting well – to investigate heat flow levels – is planned to be drilled in the last quarter of 2007, supported by a $100,000 PACE funding grant from the South Australian Government.

Eden holds a suite of strategic geothermal licences, and subject to suitable stock exchange conditions during the next 3-6 months, it is proposed to list Eden's geothermal subsidiary company, Terratherma Ltd, on the ASX and complete an IPO.

The geothermal industry is developing rapidly in Australia and Eden is very well placed to be a leading participant in this new and exciting technology.

SOUTH AUSTRALIAN NATURAL GAS (EDEN 100%)

At the date of this report, the licences covering this new Natural Gas target have not issued, but the first licence is expected to be issued during the fourth quarter of 2007. Aboriginal heritage clearances have been successfully completed and enquires to secure a suitable drilling rig to drill the first stratigraphic test well commenced.

The target is within an inverted sub-basin of the Adelaide Geosyncline, approximately 100km by 10km in area, located 60km north of the giant BHPB-owned Olympic Dam copper, gold and uranium mine in central South Australia. The target comprises a seismic anomaly within an anticline, identified during a seismic survey carried out by the Australian Government in 2004. The seismic anomaly is of a type commonly associated with gas accumulations.

The structure has never been drilled previously and offers a very exciting target for a potentially significant new onshore hydrocarbon discovery in Australia.

Financial Position

The net assets of the consolidated group have decreased by $1,351,180 from 30 June 2006 to $13,471,976 in 2007. This decrease has largely resulted from the following factors:

- significant costs of establishing the Hythane®, hydrogen and cryogenic businesses in India and the United States, much of which has not been capitalised, but which nevertheless provides the group with a strong base, particularly in india, from which to generate future income and profit.

The group's working capital, being current assets less current liabilities, has decreased from $6,424,480 in 2006 to $3,538,037 in 2007.

Despite the reduction in working capital, the directors believe the group is in a strong and stable financial position to expand and grow its current operations.

Significant Changes in State of Affairs

The following significant changes in the state of affairs of the parent entity occurred during the financial year:

i. On 9 February 2007 the holding company issued 11,556,429 ordinary shares at $0.35 each to Australian investors to raise working capital, to expand and accelerate the marketing of Hythane® in India and other markets and to fund exploration targets.

ii. On 22 May the company issued 1,000,000 ordinary shares at $0.52 each to shareholders of HyRadix Inc as part consideration for the purchase of HyRadix Inc on 26 April 2007.

Changes in controlled entities and divisions:

i. Purchase of 100% of HyRadix Inc, which manufactures hydrogen cryogenic equipment in the United States of America, for $520,000.

ii. On 18 May 2007 Eden Energy (UK) Limited was incorporated as a 100% subsidiary of the holding company.

ii. Brehon Wales Ltd, a dormant wholly owned entity, was deregistered during the year.

After Balance Date Events

On 23 July 2007 Eden Energy Limited issued 23,230,334 ordinary shares to shareholders at $0.60 each to various institutions and sophisticated investors in Australia and the United Kingdom to raise working capital.

After year-end Eden Energy India Pvt Ltd was incorporated as a wholly owned subsidiary of Eden Energy Limited to carry out the consolidated group's Indian operations and detailed in the review of operations.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

Future Developments, Prospects and Business Strategies

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

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.

DIRECTORS' REPORT

Information on Directors

Gregory Howard Solomon	—	Executive Chairman
Qualifications	—	LLB
Experience	—	Appointed chairman 2004. Board member since 2004. A solicitor with more than 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 partner in the Western Australian legal firm, Solomon Brothers and has previously held directorships of various public companies since 1984 including two mining/exploration companies.
Interest in Shares and Options	—	3,181,302 Ordinary Shares in Eden Energy Ltd and options to acquire a further 3,113,675 ordinary shares
Directorships held in other listed entities	—	Current director of Tasman Resources NL since 1987. Current director of Fission Energy Limited since March 2006.

Douglas Howard Solomon	Non-Executive
Qualifications	BJuris LLB (Hons)
Experience	Board member since May 2004. 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.
Interest in Shares and Options	3,001,302 Ordinary Shares in Eden Energy Ltd and options to acquire a further 3,113,675 ordinary shares
Directorships held in other listed entities	Current director of Director of Tasman Resources NL since 3 April 2003. Current director of Fission Energy Limited since March 2006.

Guy Touzeau Le Page	Non-Executive
Qualifications	B.A., B.Sc. (Hons).,M.B.A., ASIA., MAusIMM Bachelor of Arts (University of Adelaide),Bachelor of Science (University of Adelaide), Masters Degree in Business Administration (University of Adelaide), Bachelor of Applied Science (Hons) (Curtin University of Technology), Graduate Diploma in Applied Finance and Investment (Securities Institute of Australia).
Experience	Board member since May 2004. Currently a corporate adviser 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. He previously 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.
Interest in Shares and Options	821,809 options to acquire ordinary shares in Eden Energy Ltd
Directorships held in other listed entities	Current director of Director of Tasman Resources NL since February 2001. Current director of Fission Energy Limited since March 2006.

DIRECTORS' REPORT

Gregory Joseph Egan — Non-Executive

Qualifications — B.A.

Experience — Appointed 10 February 2006. Mr Egan attended the Graduate School of Applied Science and Business at New York University after completing a Bachelor of Arts degree in Fine Arts. He has over 25 years experience in all aspects of hydrogen program development, marketing and sales experience at various companies including Ergenics (INCO) and Supercritical Thermal Systems, and 10 years experience as marketing manager of Hydrogen Consulting Inc where Hythane® was developed and patented. During his career he has developed a range of cryogenic metal hybrid hydride alloys and other storage systems. He has also participated in the development of hydrogen liquefiers, storage systems and other devices for NASA. Mr Egan is also CEO of Brehon Energy plc, which is a wholly owned subsidiary of Eden and which develops and markets the hydrogen related technology.

Interest in Shares and Options — 7,635,005 Ordinary Shares in Eden Energy Ltd and options to acquire a further 6,579,100 ordinary shares

Directorships held in other listed entities — None

Andrew Leibovitch — Non-Executive

Qualifications — ACA

Experience — Appointed 8 May 2007

Andrew Leibovitch is a Chartered Accountant from the United Kingdom and has more than 20 years experience in corporate finance and the resources industry. Andrew has substantial experience in strategic planning, business development, acquisitions and mergers, gas commercialisation, project development and general management. From 1997 to 2006 he was with Woodside performing a number of roles including strategic planning and developing and commercialising major gas projects. Andrew headed Woodside's Browse Gas Project seeking to commercialise over 20 trillion cubic feet of gas as a major LNG development. Andrew also headed Woodside's south eastern Australia gas business developing gas projects in the Otway and Bass Strait basins as well as interests in gas and electricity retailing in Victoria. Prior to joining Woodside, Andrew worked for Western Mining Corporation in the Corporate Planning and Acquisitions Group and as Group Finance Manager. From 1986 to 1993 Andrew worked as a Chartered Accountant in London before emigrating to Australia and working for Coopers & Lybrand in Perth. Richard's international experience both in developing strategies and in delivering business results in gas and renewables will boost Eden's ability to realise the best value from its portfolio of clean energy opportunities, and Andrew's experience both in corporate finance and gas commercialisation will add considerable expertise to Eden's progress in commercialising its portfolio of alternate energy projects.

Interest in Shares and Options — 85,000 Ordinary Shares in Eden Energy Ltd and options to acquire a further 750,000 ordinary shares.

Directorships held in other listed entities — None

DIRECTORS' REPORT

Richard Beresford	Non-Executive
Qualifications	FAICD FAIE
Experience	Appointed 8 May 2007 Mr Beresford began his career in engineering and has since gained 25 years experience in the international energy business spanning research, technology commercialisation, strategic planning, operations, business development, capital raising, acquisitions, marketing and general management. He has substantial experience and success in developing new business in the gas sector in Asia and Australia, in all stages of the gas supply chain. Most recently he has been advising the leading Hong Kong power utility on a planned LNG import project, including the potential for LNG to be made available as a replacement for diesel in heavy vehicles. He has driven clean energy start-ups including Cool Energy, which is now launching its cryogenic gas separation technology for commercial applications, and several renewable energy businesses. From 1996 to 2001 he was with Woodside developing downstream gas business, including investments in technology innovators such as Ceramic Fuel Cells Limited. He became Director of Downstream Business Development in 1999 and Managing Director of Metasource, Woodside's green energy subsidiary in 2001. From 1982 to 1992 he worked with British Gas in the UK. In 1990 he joined its Global Gas business with responsibility for Asia. He led negotiations in India leading to the formation of the Mahanagar Gas distribution joint venture with the Gas Authority of India Limited (GAIL). In 1992 he moved to Jakarta to become British Gas' first Country Manager in Indonesia.
Interest in Shares and Options	750,000 options to acquire ordinary shares in Eden Energy Ltd
Directorships held in other listed entities	Liquefied Natural Gas Limited (ASX:LNG)

REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each director of Eden Energy Limited, and for the executives receiving the highest remuneration.

Remuneration policy

The remuneration policy of Eden Energy Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated group's financial results. The board of Eden Energy Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the consolidated group, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the economic entity is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed and approved by the board based on industry reports.
- All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits and options.
- The board reviews executive packages annually by reference to the consolidated group's performance, executive performance and comparable information from industry sectors.

Executives are also entitled to participate in the employee share and option arrangements.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes methodology. No shares were issued to directors or executives during the year ended 30 June 2007. 4,900,000 options were issued to directors and executives under the Employee Share Option Plan.

The board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the consolidated group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the employee option plan.

Performance-based remuneration

No performance based remuneration was paid during the year.

Key Management Personnel Remuneration Policy

The board's policy for determining the nature and amount of remuneration of key management for the group is as follows:

The remuneration structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for service between the company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement. Any options not exercised before or on the date of termination lapse.

DIRECTORS' REPORT

Key Management Personnel Remuneration

2007

Key Management Person	Short-term Benefits				Post-Employment Benefits	Share-based Payment	Total	Performance Related
	Salary, Fees and commissions	Cash profit share	Non-cash benefit	Other	Superannuation	Options		
	$	$	$	$	$	$	$	%
Gregory Howard Solomon	150,000	-	-	-	13,500	-	163,500	-
Douglas Howard Solomon	24,000	-	-	-	2,160	-	26,160	-
Gregory Joseph Egan	279,962	-	18,986	-	18,859	-	317,807	-
Guy Touzeau Le Page	24,000	-	-	-	2,160	-	26,160	-
Graham Roland Bedford	6,533	-	-	-	588	-	7,121	-
Andrew Leibovitch	3,548	-	-	-	-	200,775	204,323	-
Richard Beresford	3,548	-	-	-	-	200,775	204,323	-
Roger Marmaro	233,075	-	18,971	-	17,038	-	269,084	-
Graham Jeffress	-	-	-	-	-	166,750	166,750	
Steve Hensley	138,583	-	7,758	-	7,686	-	154,027	
Raymond Buscall	-	-	-	-	-	100,050	100,050	
Felicia Mullins	79,498	-	6,173	-	3,337	-	89,008	-
	989,791	-	54,454	-	67,680	668,350	1,378,725	-

DIRECTORS' REPORT

Key Management Personnel Remuneration

2006

Key Management Person	Short-term Benefits				Post-Employment Benefits	Share-based Payment	Total	Performance Related
	Salary, Fees and commissions	Cash profit share	Non-cash benefit	Other	Superannuation	Options		
	$	$	$	$	$	$	$	%
Gregory Howard Solomon	229,226	-	-	-	13,500	-	242,726	-
Douglas Howard Solomon	24,000	-	-	-	2,160	-	26,160	-
Gregory Joseph Egan	150,548	-	-	-	-	-	150,548	-
Guy Touzeau Le Page	24,000	-	-	-	2,160	-	26,160	-
Graham Roland Bedford	20,581	-	-	-	1,672	450	22,703	-
Guiting Liu	3,419	-	-	-	-	-	3,419	-
Roger Marmaro	121,728	-	-	-	-	-	121,728	-
	573,502	-	-	-	19,492	450	593,444	-

DIRECTORS' REPORT

Options issued as part of remuneration for the year ended 30 June 2007

Options are issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the majority of directors and executives of Eden Energy Limited and its subsidiaries to increase goal congruence between executives, directors and shareholders.

Options Granted as Remuneration

	Vested No.	Granted No.	Grant Date	Value per Option at Grant Date $	Terms & Conditions for Each Grant: Exercise Price $	First Exercise Date	Last Exercise Date
Key Management Personnel							
Andrew Leibovitch	750,000	750,000	8/5/2007	0.2677	0.70	8/5/07	7/5/2010
Richard Beresford	750,000	750,000	8/5/2007	0.2677	0.70	8/5/07	7/5/2010
Graham Jeffress	500,000	500,000	14/8/2006	0.3335	0.25	14/8/2006	30/8/2009
Raymond Buscall	300,000	300,000	14/8/2006	0.3335	0.25	14/8/2006	30/8/2009
	2,300,000	2,300,000					

All options vest on the grant date and expire within 3 years of vesting.

Exercise price equals the market price at date of the grant.

The service and performance criteria set to determine remuneration are included in this remunerated report.

All options were granted for nil consideration.

Shares Issued on Exercise of Compensation Options

No options were exercised during the year that were granted as compensation in prior periods.

DIRECTORS' REPORT

	Options Granted as Part of Remu-neration $	Total Remu-neration Represented by Options %	Options Exercised $	Options Lapsed ($)	Total $
Directors					
Andrew Leibovitch	200,775	98.26	-	-	-
Richard Beresford	200,775	98.26	-	-	-
Graham Jeffress	166,750	100%	-	-	166,750
Raymond Buscall	100,050	100%	-	-	100,050
	266,800		-	-	266,800

DIRECTORS' REPORT

Meetings of Directors

During the financial year, 13 meetings of directors were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Gregory Howard Solomon	13	13
Douglas Howard Solomon	13	13
Gregory Joseph Egan	13	5
Guy Touzeau Le Page	13	13
Andrew Leibovitch	4	4
Richard Beresford	4	4

Indemnifying Officers or Auditor

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

The company has arranged for an insurance policy 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. The total premium payable is approximately $45,000.

Options

At the date of this report, the unissued ordinary shares of Eden Energy Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
Prior to 19 December 2005	30 September 2009	$0.20	44,377,660
5 January 2006	30 September 2009	$0.20	20,751,505
13 January 2006	30 September 2009	$0.20	250,000
3 February 2006	30 September 2009	$0.20	500,000
31 May 2006	30 September 2009	$0.20	20,752,243
14 August 2006	30 September 2009	$0.25	950,000
9 January 2007	5 June 2009	$0.20	4,000,000
19 March 2007	5 March 2012	$0.585	500,000
8 May 2007	7 May 2010	$0.70	1,500,000
13 May 2007	13 May 2010	$0.685	1,300,000
15 May 2007	15 May 2010	$0.685	650,000
			95,531,408

During the year ended 30 June 2007, no ordinary shares of Eden Energy Limited were issued on the exercise of options granted under the Eden Energy Limited Employee Option Plan. No shares have been issued since that date.

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.

DIRECTORS' REPORT

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 a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

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

Non-audit Services

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2007:

	$
Other	38,500
	38,500

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2007 has been received and can be found on page 23 of the directors' report.

Signed in accordance with a resolution of the Board of Directors.

Gregory Howard Solomon
Director

Dated this 28th day of September 2007

CHARTERED
ACCOUNTANTS
& BUSINESS
ADVISORS

A MEMBER OF
MOORES ROWLAND
INTERNATIONAL

Bentleys mri
Thinking ahead

Bentleys MRI Perth Partnership
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LEAD AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

TO THE DIRECTORS OF EDEN ENERGY LIMITED

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2007 there have been:

- No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- No contraventions of any applicable code of professional conduct in relation to the audit.

Bentleys MRI Perth Partnership

BENTLEYS MRI PERTH PARTNERSHIP

M J HILLGROVE
PARTNER

Dated at Perth this 28th day of September 2007.

INCOME STATEMENT FOR YEAR ENDED 30 JUNE 2007

	Note	Consolidated Group		Parent Entity	
		2007	2006	2007	2006
		$	$	$	$
Revenue	2a	624,609	184,348	225,143	64,268
Other income	2b	136,342	-	-	-
		760,951	184,348	225,143	64,268
Cost of sales	3	(446,436)	(100,312)	-	-
Impairment of investment in subsidiary		-	-	(5,169,680)	(1,194,555)
Impairment of receivable from controlled entity		-	-	(111,608)	-
Employee benefits expense		(3,842,786)	(907,085)	(1,467,374)	(334,061)
Depreciation and amortisation expense		(95,152)	(32,889)	(1,470)	-
Impairment of property plant and equipment		-	(2,762)	-	-
Finance costs		(8,243)	(4,665)	-	-
Marketing expenses		(246,791)	(137,470)	-	-
Legal costs		(279,517)	(11,358)		(1,364)
Research and development		(575,147)	(40,865)	(47,000)	(40,865)
Warranty expenses		(180,115)	-	-	-
Administration expenses		(1,505,147)	(658,488)	(310,294)	(209,562)
Other expenses		(733,229)	(28,928)	(269,329)	(24,335)
Loss before income tax	3	(7,151,612)	(1,740,474)	(7,151,612)	(1,740,474)
Income tax expense	4	-	-	-	-
Loss from continuing operations		(7,151,612)	(1,740,474)	(7,151,612)	(1,740,474)
Loss attributable to members of the parent entity		(7,151,612)	(1,740,474)	(7,151,612)	(1,740,474)
Basic earnings per share (cents per share)	7	(5.6320)	(1.9737)	(5.6320)	(1.9737)

The accompanying notes form part of these financial statements.

BALANCE SHEET AS AT 30 JUNE 2007

	Note	Consolidated Group		Parent Entity	
		2007	2006	2007	2006
		$	$	$	$
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	8	3,468,418	6,930,339	2,015,258	6,532,091
Trade and other receivables	9	235,275	135,897	23,422	73,116
Inventories	10	1,857,667	27,510	-	-
Other current assets	16	180,806	35,651	-	-
TOTAL CURRENT ASSETS		5,742,166	7,129,397	2,038,680	6,605,207
NON-CURRENT ASSETS					
Trade and other receivables	9	63,440	54,191	10,181,380	2,773,152
Financial assets	12	1,286,599	627,721	1,261,157	5,797,396
Property, plant and equipment	14	867,659	290,463	2,681	-
Intangible assets	15	7,472,861	7,450,282	-	-
Other non-current assets	16	260,628	176,635	260,628	176,635
TOTAL NON-CURRENT ASSETS		9,951,187	8,599,292	11,705,846	8,747,183
TOTAL ASSETS		15,693,353	15,728,689	13,744,526	15,352,390
CURRENT LIABILITIES					
Trade and other payables	17	2,163,577	662,791	272,550	529,234
Financial liabilities	18	40,552	42,128	-	-
TOTAL CURRENT LIABILITIES		2,204,129	704,919	272,550	529,234
NON-CURRENT LIABILITIES					
Trade and other payables	17	-	130,940	-	-
Financial liabilities	18	17,248	69,674	-	-
TOTAL NON-CURRENT LIABILITIES		17,248	200,614	-	-
TOTAL LIABILITIES		2,221,377	905,533	272,550	529,234
NET ASSETS		13,471,976	14,823,156	13,471,976	14,823,156
EQUITY					
Issued capital	19	21,445,140	17,014,429	21,445,140	17,014,429
Reserves	20	1,395,991	26,270	1,395,991	26,270
Retained earnings		(9,369,155)	(2,217,543)	(9,369,155)	(2,217,543)
TOTAL EQUITY		13,471,976	14,823,156	13,471,976	14,823,156

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2007

Consolidated Group

	Note	Share Capital Ordinary	Share Capital Option Reserve	Accumulated Losses	Total
		$	$	$	$
Balance at 1 July 2005		4,224,625	25,820	(477,069)	3,773,376
Shares issued during the year		13,608,674	-	-	13,608,674
Share issue costs		(818,870)	-	-	(818,870)
Issue of options		-	450	-	450
Loss attributable to members of parent entity		-	-	(1,740,474)	(1,740,474)
Balance at 30 June 2006		17,014,429	26,270	(2,217,543)	14,823,156
Shares issued during the year		4,609,102	-	-	4,609,102
Share issue costs		(178,391)	-	-	(178,391)
Issue of options		-	1,369,721	-	1,369,721
Loss attributable to members of parent entity		-	-	(7,151,612)	(7,151,612)
Balance at 30 June 2007		21,445,140	1,395,991	(9,369,155)	13,471,976

Parent Entity

	Note	Share Capital Ordinary	Share Capital Option Reserve	Accumulated Losses	Total
		$	$	$	$
Balance at 1 July 2005		4,224,625	25,820	(477,069)	3,773,376
Shares issued during the year		13,608,674	-	-	13,608,674
Share issue costs		(818,870)	-	-	(818,870)
Issue of options		-	450	-	450
Loss attributable to members of parent entity		-	-	(1,740,474)	(1,740,474)
Balance at 30 June 2006		17,014,429	26,270	(2,217,543)	14,823,156
Shares issued during the year		4,609,102	-	-	4,609,102
Share issue costs		(178,391)	-	-	(178,391)
Issue of options		-	1,369,721	-	1,369,721
Loss attributable to members of parent entity		-	-	(7,151,612)	(7,151,612)
Balance at 30 June 2007		21,445,140	1,395,991	(9,369,155)	13,471,976

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT FOR YEAR ENDED 30 JUNE 2007

	Note	Consolidated Group 2007 $	Consolidated Group 2006 $	Parent Entity 2007 $	Parent Entity 2006 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		332,148	102,979	-	-
Payments to suppliers and employees		(7,162,398)	(1,925,025)	(803,325)	(590,285)
Interest received		227,229	64,268	225,143	64,268
Finance costs		(8,243)	(4,665)	-	-
Goods and Services Tax refunds		119,203	33,669	119,203	33,669
Bonds on Tenements		-	(50,000)	-	(50,000)
Net cash provided by (used in) operating activities	24a	(6,492,061)	(1,778,774)	(458,979)	(542,348)
CASH FLOWS FROM INVESTING ACTIVITIES					
Exploration expenditure		(76,959)	(113,595)	(76,959)	(113,595)
Purchase of property, plant and equipment		(417,018)	(6,678)	(4,151)	-
Purchase of intangibles		(18,453)	(11,237)	-	-
Loans to associated entities		-	(20,795)	-	-
Loans to controlled entities		-	-	(6,994,892)	(1,616,493)
Repayment of loans from associated entities		(268,091)		(268,091)	(20,794)
Loans other		-	(38,367)	-	-
Investment in joint venture		(589,763)	(347,176)	(564,321)	(347,176)
Payment for subsidiary, net of cash acquired	24b	724,911	(1,255,362)	-	(1,373,042)
Net cash provided by (used in) investing activities		(645,373)	(1,793,210)	(7,908,414)	(3,471,100)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		4,089,102	9,014,600	4,089,102	9,014,600
Share issue costs		(238,542)	(780,682)	(238,542)	(758,719)
Repayment of borrowings		(44,106)	(21,253)	-	-
Repayment of other liabilities		(130,941)	-	-	-
Net cash provided by (used in) financing activities		3,675,513	8,212,665	3,850,560	8,255,881
Net increase (decrease) in cash held		(3,461,921)	4,640,681	(4,516,833)	4,242,433
Cash at beginning of financial year		6,930,339	2,289,658	6,532,091	2,289,658
Cash at end of financial year	8	3,468,418	6,930,339	2,015,258	6,532,091

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers the consolidated group of Eden Energy Limited and controlled entities, and Eden Energy Limited as an individual parent entity. Eden Energy Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of Eden Energy Limited and controlled entities, and Eden Energy Limited as an individual parent entity complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

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

Basis of Preparation

The accounting policies set out below have been consistently applied to all years presented.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

a. Principles of Consolidation

A controlled entity 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.

A list of controlled entities is contained in Note 13 to the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the consolidated group 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.

b. Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

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 consolidated group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

c. 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. Refer to Note 29 for further details on changes in accounting policy.

The cost of mining stocks includes direct materials, direct labour, transportation costs and variable and fixed overhead costs relating to mining activities.

d. 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.

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 that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group 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 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 consolidated group 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:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	15 – 50%
Leased plant and equipment	10 – 20%

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

e. Exploration and Evaluation Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

f. Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

g. Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

h. 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 its 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.

i. Investments in Associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognised group's share of post-acquisition reserves of its associates.

j. Interests in Joint Ventures

The consolidated group's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated financial statements. Details of the consolidated group's interests are shown at Note 11.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

k. Intangibles

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

Intellectual Property

Intellectual property, which includes trademarks and engineering knowledge is included in the financial statements at cost, being their fair value on acquisition.

Intellectual property and trademarks are only amortised or written down where the useful lives are limited or impaired by specific circumstances, in such cases amortisation is charged on a straight line basis over their useful lives and write downs are charged fully when incurred. The directors do not expect the useful lives of the intellectual property which is not subject to amortisation to be curtailed in the foreseeable future and they consider the useful life of the intellectual property to be so long as to render any annual amortisation charge immaterial.

l. Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

— assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;

— income and expenses are translated at average exchange rates for the period; and

— retained earnings are translated at the exchange rates prevailing at the date of the transaction.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

m. Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Equity-settled compensation

The group operates a number of share-based compensation plans. These include both a share option arrangement and an employee share scheme. The bonus element over the exercise price of the employee services rendered in exchange for the grant of shares and options is recognised as an expense in the income statement. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares of the options granted.

n. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

o. Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

p. Borrowing Costs

All borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

q. 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 balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

r. Comparative Figures

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

Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key Estimates — Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect of intellectual property for the year ended 30 June 2007.

The financial report was authorised for issue on 28 September 2007 by the board of directors.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 2: REVENUE

	Note	Consolidated Group		Parent Entity	
		2007	2006	2007	2006
		$	$	$	$
a. Operating activities					
— sale of goods		352,457	120,080	-	-
— Licence royalties		44,923	-	-	-
— interest received		227,229	64,268	225,143	64,268
Total Revenue		624,609	184,348	225,143	64,268
b. Other income					
— Discount on acquisition of wholly owned entity		136,342	-	-	-

NOTE 3: LOSS FOR THE YEAR

	Note	Consolidated Group		Parent Entity	
		2007	2006	2007	2006
		$	$	$	$
a. Expenses					
Cost of sales		446,436	110,312	-	-
Finance costs:					
— external		8,243	4,665	-	-
Total finance costs		8,243	4,665	-	-
Impairment of investment in controlled entity		-	-	5,169,680	1,194,555
Impairment of receivable from controlled entity		-	-	111,608	-
Foreign currency translation losses		92,160	197	-	-
Research and development costs		558,032	40,865	47,000	40,865
b. Significant Revenue and Expenses					
The following significant revenue and expense items are relevant in explaining the financial performance:					
Discount on acquisition of wholly owned entity		136,342	-	-	-
Impairment of investment in subsidiary		-	-	(5,169,680)	(1,194,555)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 4: INCOME TAX EXPENSE

		Note	Consolidated Group		Parent Entity	
			2007 $	2006 $	2007 $	2006 $
a.	The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:					
	Prima facie tax payable on profit from ordinary activities before income tax at 30% (2006: 30%)					
	— Consolidated group		(2,145,484)	(522,142)	-	-
	— Parent entity		-	-	(2,145,484)	(522,142)
			(2,145,484)	(522,142)	(2,145,484)	(522,142)
	Add:					
	Tax effect of:					
	— other non-allowable items		147	239	147	239
	— share options expensed during year		410,916	135	410,916	135
	— Deferred tax assets not brought to account		1,734,421	521,768	1,734,421	521,768
	Income tax attributable to entity		-	-	-	-
	The applicable weighted average effective tax rates are as follows:		Nil%	Nil%	Nil%	Nil%
b.	Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1b occur					
	— temporary differences		(202,213)	(97,917)	(202,876)	(97,917)
	— tax losses:					
	– operating losses		618,867	248,625	618,787	248,625
			416,654	150,708	415,911	150,708

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION

a. Names and positions held of economic and parent entity key management personnel in office at any time during the financial year are:

Key Management Person	Position
Gregory Howard Solomon	Executive Chairman
Douglas Howard Solomon	Non-Executive Director
Gregory Joseph Egan	Non-Executive Director
Guy Touzeau Le Page	Non-Executive Director
Graham Roland Bedford	Non-Executive Director (resigned 8 September 2006)
Andrew Leibovitch	Non-Executive Director (appointed 8 May 2007)
Richard Beresford	Non-Executive Director (appointed 8 May 2007)
Roger Marmaro	Manager – Eden Innovations Ltd
Steve Hensley	Manager – Eden Cryogenics LLC
Raymond Buscall	Company Secretary and Financial Manager
Graham Jeffress	Geologist
Felicia Mullins	Chief Financial Officer – Hythane LLC and Eden Cryogenics LLC

Key management personnel remuneration has been included in the Remuneration Report section of the Directors Report

b. Options and Rights Holdings

Number of Options Held by Key Management Personnel

	Balance 1.7.2006	Granted as Compen-sation	Options Exercised	Net Change* Other
Gregory Howard Solomon	3,163,675	-	-	-
Douglas Howard Solomon	3,163,675	-	-	-
Guy Touzeau Le Page	821,809	-	-	-
Gregory Joseph Egan	6,579,100	-	-	-
Andrew Leibovitch	-	750,000	-	-
Richard Beresford	-	750,000	-	-
Roger Marmaro	1,096,617	-	-	-
Graham Jeffress	-	500,000	-	-
Raymond Buscall	-	350,000	-	-
Steve Hensley	10,000	-	-	-
Total	14,834,876	2,350,000	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

Number of Options Held by Key Management Personnel (Cont'd)

	Balance 30.6.2007	Total Vested 30.6.2007	Total Exercisable 30.6.2007	Total Unexer-cisable 30.6.2007
Gregory Howard Solomon	3,163,675	3,163,675	3,163,675	-
Douglas Howard Solomon	3,163,675	3,163,675	3,163,675	-
Guy Touzeau Le Page	821,809	821,809	821,809	-
Gregory Joseph Egan	6,579,100	6,579,100	6,579,100	-
Andrew Leibovitch	750,000	750,000	750,000	-
Richard Beresford	750,000	750,000	750,000	-
Roger Marmaro	1,096,617	1,096,617	1,096,617	-
Graham Jeffress	500,000	500,000	500,000	-
Raymond Buscall	350,000	350,000	350,000	-
Steve Hensley	10,000	10,000	10,000	-
Total	17,184,876	17,184,876	17,184,876	-

The Net Change Other reflected above includes those options that have been forfeited by holders as well as options issued during the year under review.

c. Shareholdings

Number of Shares held by Key Management Personnel

	Balance 1.7.2006	Received as Compen-sation	Options Exercised	Net Change Other*	Balance 30.6.2007
Gregory Howard Solomon	3,101,302	-	-	80,000	3,181,302
Douglas Howard Solomon	3,101,302	-	-	-	3,101,302
Gregory Joseph Egan	7,635,005	-	-	-	7,635,005
Andrew Leibovitch	85,000	-	-	-	85,000
Roger Marmaro	1,278,701	-	-	-	1,278,701
Steve Hensley	50,000	50,000	-	20,000	120,000
Total	15,251,310	50,000	-	100,000	15,401,310

* Net Change Other refers to shares purchased or sold during the financial year.

NOTE 6: AUDITORS' REMUNERATION

	Consolidated Group		Parent Entity	
	2007 $	2006 $	2007 $	2006 $
Remuneration of the auditor of the parent entity for:				
— auditing or reviewing the financial report	28,615	7,000	28,615	7,000
— Investigating accountants report	-	7,000	-	7,000
— Other	38,500	10,000	38,500	10,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 7: EARNINGS PER SHARE

		Consolidated Group	
		2007	2006
		$	$
a.	Reconciliation of earnings to profit or loss		
	Profit/(loss)	(7,151,612)	(1,740,474)
	Profit/(loss) attributable to minority equity interest	-	-
	Earnings used to calculate basic EPS	(7,151,612)	(1,740,474)
	Dividends on converting preference shares	-	-
	Earnings used in the calculation of dilutive EPS	(7,151,612)	(1,740,474)
b.	Reconciliation of earnings to profit or loss from continuing operations		
	Profit from continuing operations	(7,151,612)	(1,740,474)
	Profit attributable to minority equity interest in respect of continuing operations	-	-
	Earnings used to calculate basic EPS from continuing operations	(7,151,612)	(1,740,474)
	Dividends on converting preference shares	-	-
	Earnings used in the calculation of dilutive EPS from continuing operations	(7,151,612)	(1,740,474)
c.	Reconciliation of earnings to profit or loss from discontinuing operations		
	Profit from discontinuing operations	-	-
	Profit attributable to minority equity interest	-	-
	Earnings used to calculate basic EPS from discontinuing operations	-	-
		No.	No.
d.	Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	126,982,510	88,183,072
	Weighted average number of options outstanding	-	-
	Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	126,982,510	88,183,072
e.	Diluted earnings per share is not reflected for discontinuing operations as the result is anti-dilutive in nature		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 8: CASH AND CASH EQUIVALENTS

	Note	Consolidated Group		Parent Entity	
		2007	2006	2007	2006
		$	$	$	$
Cash at bank and in hand		3,185,633	6,930,339	2,015,258	6,532,091
Short-term bank deposits		282,785	-	-	-
		3,468,418	6,930,339	2,015,258	6,532,091
The effective interest rate on short-term bank deposits was 3.42%; these deposits have an average maturity of 30 days.					
Reconciliation of cash					
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:					
Cash and cash equivalents		3,185,633	6,930,339	2,015,258	6,532,091
Short-term bank deposits		282,785	-	-	-
		3,468,418	6,930,339	2,015,258	6,532,091

NOTE 9: TRADE AND OTHER RECEIVABLES

	Note	Consolidated Group		Parent Entity	
		2007	2006	2007	2006
		$	$	$	$
CURRENT					
Trade receivables		153,546	17,143	-	-
Other bonds		5,853	5,853	-	-
GST refunds		23,422	61,505	23,422	61,505
Cash advances		-	4,455	-	4,455
Other receivables		14,086	8,573	-	7,156
Amounts receivable from:					
— associated companies		-	-	-	-
— key management personnel	9a	38,368	38,368	-	-
		235,275	135,897	23,422	73,116
NON-CURRENT					
Other receivables					
Amounts receivable from:					
— wholly-owned subsidiaries		-	-	10,242,988	2,723,152
— Less: provision for impairment		-	-	(111,608)	-
		-	-	10,131,380	2,723,152
Bonds on tenements		50,000	50,000	50,000	50,000
Other Bonds		13,440	4,191	-	-
		63,440	54,191	10,181,380	2,773,152

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 9: TRADE AND OTHER RECEIVABLES (CONT'D)

a. Key Management Personnel Loans

	Balance at Beginning of year	Balance at End of Year	Interest Charged	Interest not Charged	Provision for Impair-ment	Number of Individ-uals
	$	$	$	$	$	No.
Key Management Personnel						
2007	36,368	36,368	-	-	-	1
2006	-	36,368	-	-	-	1

NOTE 10: INVENTORIES

	Note	Consolidated Group		Parent Entity	
		2007 $	2006 $	2007 $	2006 $
CURRENT					
At cost					
Finished goods		722,801	-	-	-
Work in progress		195,655	-	-	-
Raw materials and stores		939,211	27,510	-	-
		1,857,667	27,510	-	-

NOTE 11: JOINT VENTURE

	Note	Consolidated Group		Parent Entity	
		2007 $	2006 $	2007 $	2006 $
a. Interest in Joint Venture Operations					
Eden Energy Ltd has entered into a joint venture with Welsh-based Coastal Oil and Gas Limited that will give the consolidated group the right to acquire a 50% interest in Coal Bed Methane (CMB)/Coal Mine Methand (CMM) and Natural Gas (NG). In addition, Eden Energy Limited 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.					
The Consolidated Group's share of cost incurred in respect of the joint venture is:					
NON-CURRENT ASSETS					
Exploration expenditure	12	1,286,599	627,721	1,261,157	627,721
Total non-current assets		1,286,599	627,721	1,261,157	627,721
Net interest in joint venture operations		1,286,599	627,721	1,261,157	627,721

NOTE 11: JOINT VENTURE (CONT'D)

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

NOTE 12: OTHER FINANCIAL ASSETS

	Note	Consolidated Group		Parent Entity	
		2007	2006	2007	2006
		$	$	$	$
Available-for-sale financial assets	12a	1,286,599	627,721	6,430,837	5,797,396
		1,286,599	627,721	6,430,837	5,797,396
Less non-current portion		(1,286,599)	(627,721)	(6,430,837)	(5,797,396)
Current portion		-	-	-	-
a. Available-for-sale Financial Assets Comprise					
Unlisted investments, at cost					
— interest in joint venture operations	11	1,286,599	627,721	1,261,157	627,721
		1,286,599	627,721	1,261,157	627,721
Unlisted investments, at recoverable amount					
— Shares in controlled entities, at cost		-	-	6,645,790	6,645,790
— shares in associates, at cost		-	-	-	-
Less: Impairment Provision		-	-	(6,645,790)	(1,476,115)
		-	-	-	5,169,675
Total available-for-sale financial assets		1,286,599	627,721	1,261,157	5,797,396

Available-for-sale financial assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity date attached to these investments.

The fair value of unlisted available-for-sale financial assets cannot be reliably measured as variability in the range of reasonable fair value estimates is significant. As a result, unlisted investments are reflected at cost. An impairment loss has been recognised in the income statement on the parent company's investment in Eden Innovations Limited. The impairment reflects the Consolidated Group's share of losses in Eden Innovations Limited.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 13: CONTROLLED ENTITIES

a. Controlled Entities Consolidated

Controlled Entities Consolidated	Country of Incorporation	Percentage Owned (%)*	
		2007	2006
Parent Entity:			
Eden Energy Limited	Australia		
Ultimate Parent Entity			
Eden Energy Limited (2006: Tasman Resources NL until 31 May 2006)	Australia		

Controlled Entities Consolidated	Country of Incorporation	Percentage Owned (%)*	
		2007	2006
Subsidiaries of Eden Energy Limited:			
Eden Innovations Limited (formerly Brehon Energy PLC)	Ireland	100	100
Eden Energy (UK) Limited	United Kingdom	100	-
Brehon Wales Ltd	United Kingdom	-	100
Brehon Far East Pte Ltd	Singapore	100	100
Eden Cryogenics LLC (formerly Brehon Cryogenics LLC)	United States of America	100	100
Hythane Company LLC	United States of America	100	100
HyRadix Inc	United States of America	100	-
Brehon Australasia Pty Ltd	Australia	100	100
Hydrogen China BVI Ltd	British Virgin Islands	100	100

** Percentage of voting power is in proportion to ownership*

b. Acquisition of Controlled Entities

On 26 April 2007, Eden Innovations Limited acquired 100% of Hyradix Inc, with Eden Innovation Limited entitled to all profits earned from 26 April 2007 for a purchase consideration of $520,000 via a scrip issue of 1,000,000 ordinary shares in the parent entity to the former shareholders of HyRadix Inc. On 18 May 2007, Eden Energy (UK) Limited was incorporated as a 100% subsidiary of Eden Energy Limited, with Eden Energy Limited entitled to all profits from this date.

c. Disposal of Controlled Entities

During the year, Brehon Wales Ltd, a dormant wholly owned entity of Eden Energy Limited, was deregistered.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 14: PROPERTY, PLANT AND EQUIPMENT

	Note	Consolidated Group		Parent Entity	
		2007	2006	2007	2006
		$	$	$	$
PLANT AND EQUIPMENT					
Plant and equipment:					-
At cost		1,783,898	363,678	4,151	-
Accumulated depreciation		(1,069,006)	(73,215)	(1,470)	-
Total plant and equipment		714,892	290,463	2,681	-
Leasehold improvements:					-
At cost		42,069	-	-	-
Accumulated depreciation		(5,909)	-	-	-
Total leasehold improvements		36,160	-	-	-
Plant and equipment under construction:					-
At cost		116,607	-	-	-
Total Property, Plant and Equipment		867,659	290,463	2,681	-

a. Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

	Note	Consolidated Group		Parent Entity	
		2007	2006	2007	2006
		$	$	$	$
Plant & Equipment					
Balance at the beginning of year		290,463	-	-	-
Additions from acquisition of subsidiary		228,689	150,645	-	-
Additions		281,991	174,215	4.151	-
Impairment		-	(2,762)		-
Depreciation expense		(86,251)	(31,635)	(1,470)	-
Carrying amount at the end of year		714,892	290,463	2,681	-
Leasehold improvements					
Balance at the beginning of year		-	-	-	-
Additions		42,069	-	-	-
Depreciation expense		(5,909)	-	-	-
Carrying amount at the end of year		36,160	-	-	-
Plant and equipment under construction					
Balance at the beginning of year		-	-	-	-
Additions		116,607	-	-	-
Carrying amount at the end of year		116,607	-	-	-

NOTE 14: PROPERTY, PLANT AND EQUIPMENT (CONT'D)

b. Impairment losses

The total impairment loss recognised in the income statement during the prior period amounted to Nil (2006: $2,762) and is separately presented in the income statement as 'impairment of property plant and equipment'.

NOTE 15: INTANGIBLE ASSETS

	Consolidated Group		Parent Entity	
	2007	2006	2007	2006
	$	$	$	$
Intellectual property	7,443,665	7,443,665	-	-
Accumulated impaired losses	-	-	-	-
Net carrying value	7,443,665	7,443,665	-	-
Computer software				
Cost	36,808	11,237	-	-
Accumulated amortisation and impairment	(7,612)	(4,620)	-	-
Net carrying value	29,196	6,617	-	-
Total intangibles	7,472,861	7,450,282	-	-

Intellectual property relates to Hythane® trademarks and engineering knowledge. Hythane® is a registered trademark of Eden Innovations Ltd, a controlled entity of Eden Energy Limited.

	Intellectual Property	Computer Software	Total
	$	$	$
Consolidated Group:			
Year ended 30 June 2006			
Balance at the beginning of year	-	-	-
Acquisitions through business combinations	7,443,665	7,871	7,451,536
Amortisation charge	-	(1,254)	(1,254)
Closing value at 30 June 2006	7,443,665	6,617	7,450,282
Year ended 30 June 2007			
Balance at the beginning of year	7,443,665	6,617	7,450,282
Additions	-	25,570	25,570
Acquisitions through business combinations	-	-	-
Amortisation charge	-	(2,991)	(2,991)
Closing value at 30 June 2007	7,443,665	29,196	7,472,861

The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the income statement, for those intangibles with a finite life. The directors have determined that the intellectual property has an indefinite life.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 16: OTHER ASSETS

	Note	Consolidated Group		Parent Entity	
		2007	2006	2007	2006
		$	$	$	$
CURRENT					
Prepayments		180,806	35,651	-	-
NON-CURRENT					
Exploration expenditure capitalised					
— exploration and evaluation phases		260,628	176,635	260,628	176,635
Total exploration expenditure		260,628	176,635	260,628	176,635
		260,628	176,635	260,628	176,635

Recoverability of the carrying amount of exploration assets is dependent on the successful exploration and sale of geothermal energy.

Capitalised costs amounting to $76,959 (2006: $113,595) have been included in cash flows from investing activities in the cash flow statement.

NOTE 17: TRADE AND OTHER PAYABLES

	Note	Consolidated Group		Parent Entity	
		2007	2006	2007	2006
		$	$	$	$
CURRENT					
Unsecured liabilities					
Trade payables		631,761	143,912	169,141	40,313
Sundry payables and accrued expenses		647,744	250,788	103,409	136,456
Customer advances		555,702	-	-	-
Deferred revenue		328,370	-	-	-
Amounts payable to:					
— wholly-owned subsidiaries		-	-	-	84,374
— other related parties		-	268,091	-	268,091
		2,163,577	662,791	272,550	529,234
NON-CURRENT					
Unsecured liabilities					
Option agreement		-	130,940	-	-
		-	130,940	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 18: FINANCIAL LIABILITIES

	Note	Consolidated Group		Parent Entity	
		2007 $	2006 $	2007 $	2006 $
CURRENT					
Unsecured liabilities					
Lease liability	21	40,552	42,128	-	-
		40,552	42,128	-	-
NON-CURRENT					
Unsecured liabilities					
Lease liability	21	17,248	69,674	-	-
		17,248	69,674	-	-

NOTE 19: ISSUED CAPITAL

	Consolidated Group		Parent Entity	
	2007 $	2006 $	2007 $	2006 $
135,158,179 (2006: 122,329,993) fully paid ordinary shares	21,445,140	17,014,429	21,445,140	17,014,429
95,531,408 (2006: 86,853,165) options	-	-	-	-
	21,445,140	17,014,429	21,445,140	17,014,429

		Consolidated Group		Parent Entity	
		2007 No.	2006 No.	2007 No.	2006 No.
a.	Ordinary shares				
	At the beginning of reporting period	122,329,993	94,000,000	122,329,993	94,000,000
	Shares issued – prior year	-	70,829,993	-	70,829,993
	Share consolidation 51.5:94 – prior year	-	(42,500,000)	-	(42,500,000)
	Shares issued during the year				
	— 29 November 2006	50,000	-	50,000	-
	— 9 February 2007	11,556,429	-	11,556,429	-
	— 22 May 2007	1,000,000	-	1,000,000	-
	— Options exercised at various dates	221,757	-	221,757	-
	At reporting date	135,158,179	122,329,993	135,158,179	122,329,993

i. The ordinary shares on issue have no par value.

ii. On 29 November 2006 the company issued 50,000 ordinary shares to a consultant as part of an incentive scheme under an employment contract.

NOTE 19: ISSUED CAPITAL (CONT'D)

iii. On 9 February 2007 the company issued 11,556,429 ordinary shares at $0.35 to shareholders to raise working capital.

iv. On 22 May 2007 the company issued 1,000,000 ordinary shares to shareholders of Hyradix Inc, as consideration for the purchase of 100% of the company.

v. Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

	Consolidated Group		Parent Entity	
	2007 No.	2006 No.	2007 No.	2006 No.
b. Options				
At the beginning of reporting period	86,853,165	79,500,000	86,853,165	79,500,000
Options issued – prior year	-	43,975,505	-	43,975,505
Share consolidation 51.5/94	-	(36,622,340)	-	(36,622,340)
Options exercised during the year	(221,757)	-	(221,757)	-
Options issued during the year	-	-	-	-
— 14 August 2006	950,000	-	950,000	-
— 9 January 2007	4,000,000	-	4,000,000	-
— 19 March 2007	500,000	-	500,000	-
— 8 May 2007	1,500,000	-	1,500,000	-
— 13 May 2007	1,300,000	-	1,300,000	-
— 15 May 2007	650,000	-	650,000	-
At reporting date	95,531,408	86,853,165	95,531,408	86,853,165

i. For information relating to the Eden Energy Limited employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer to Note 29 Share-based Payments.

ii. For information relating to share options issued to key management personnel during the financial year, refer to Note 29 Share-based Payments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 20: RESERVES

a. Option Reserve

	Consolidated Group		Parent Entity	
	2007 $	2006 $	2007 $	2006 $
At the beginning of reporting period	26,270	25,820	26,270	25,820
Revaluation of employee share options	-	-	-	-
Employee share options issued during the year	1,369,721	450	1,369,721	450
At reporting date	1,395,991	26,270	1,395,991	26,270

The option reserve records items recognised as expenses on valuation of employee share options.

NOTE 21: CAPITAL AND LEASING COMMITMENTS

	Note	Consolidated Group		Parent Entity	
		2007 $	2006 $	2007 $	2006 $
a. Finance Lease Commitments					
Payable — minimum lease payments					
— not later than 12 months		44,001	50,241	-	-
— between 12 months and 5 years		21,280	74,538	-	-
Minimum lease payments		65,281	124,779	-	-
Less future finance charges		(7,481)	(12,976)	-	-
Present value of minimum lease payments		57,800	111,803	-	-

The finance lease on plant and equipment, which commenced in November 2005, is a 3-year lease with an option to refinance at the end. The lease payments are paid monthly in advance.

b. Capital Expenditure Commitments

Exploration commitments:

Eden Energy Limited 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.

NOTE 21: CAPITAL AND LEASING COMMITMENTS (CONT'D)

c. Joint Ventures

Eden Energy Limited has entered into the following commitments:

i. To fund exploration expenditure in South Wales pursuant to the Joint Venture agreement 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 430km^2. The estimated aggregate expenditure if these proceed is in the order of £2 – 2.5 million over 3 – 5 years.

NOTE 22: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

	Consolidated Group		Parent Entity	
	2007 $	2006 $	2007 $	2006 $
Estimates of the potential financial effect of contingent liabilities that may become payable:				
Contingent Liabilities	-	-	-	-
Contingent Assets	-	-	-	-

NOTE 23: SEGMENT REPORTING

Accounting Policies

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

Intersegment Transfers

Segment revenues, expenses and results include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the Consolidated Group at an arm's length. These transfers are eliminated on consolidation.

Business and Geographical Segments

Business segments

The consolidated group operates in the energy sector and does not have distinguishable business segments.

Geographical segments

The consolidated group's business segments are located in Australia, United States of America, United Kingdom and Singapore.

Impairment Losses

An impairment loss amounting to $2,762 relating to plant within the business segment located in Singapore was recognised as an expense for the year ended 30 June 2006.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 23: SEGMENT REPORTING (CONT'D)

Primary Reporting - Geographical Segments

	Australia		United States		United Kingdom		Singapore		Total Continuing Operations		Inter-segment eliminations/		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	$	$	$	$	$	$	$	$	$	$	$	$	$	$
Sales to external customers	-	-	397,380	120,080	-	-	-	-	397,380	120,080	-	-	397,380	120,080
Share of associates net profit	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other revenue/income	225,143	64,268	507,706	-	-	-	-	-	732,849	64,268	(505,620)	-	227,229	64,268
Total segment revenue/income	225,143	64,268	905,086	120,080	-	-	-	-	1,130,229	184,348	(505,620)	-	624,609	184,348
Segment result	(1,870,537)	(561,953)	(3,724,979)	(799,426)	(1,679,457)	(374,430)	(4,738)	-	(7,279,711)	(1,735,809)	136,342	-	(7,143,369)	(1,735,809)
Unallocated revenue less unallocated expenses									-	-			-	-
Finance costs									(8,243)	(4,665)	-	-	(8,243)	(4,665)
Profit before income tax									(7,287,954)	(1,740,474)	136,342	-	(7,151,612)	(1,740,474)
Income tax expense									-	-			-	-
Profit for the year after tax									(7,287,954)	(1,740,474)	136,342	-	(7,151,612)	(1,740,474)
Segment assets	10,254,280	14,620,703	4,448,685	645,628	962,867	434,844	27,521	27,514	15,693,353	15,728,689	-	-	15,693,353	15,728,689
Segment liabilities	272,551	440,529	1,912,326	286,223	36,500	177,439	-	1,342	2,221,377	905,533	-	-	2,221,377	905,533
Net assets	9,981,729	14,180,174	2,536,359	359,405	926,367	257,405	27,521	26,172	13,471,976	14,823,156	-	-	13,471,976	14,823,156
Other information														
Investments in associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition of non-current segment assets	(541,046)	6,647,678	627,076	193,176	1,265,865	390,621	-	-	1,351,895	7,231,475	-	-	1,351,895	7,231,475
Depreciation and amortisation of segment assets	1,470	-	72,948	17,876	20,734	15,013	-	-	95,152	32,889	-	-	95,152	32,889
Impairment of investments and receivables	5,281,288	-	-	-	-	-	-	-	5,281,288	-	-	-	5,281,288	-
Other non-cash segment expenses	-	2,762	-	-	-	-	-	-	-	2,762	-	-	-	2,762

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 24: CASH FLOW INFORMATION

	Consolidated Group		Parent Entity	
	2007	2006	2007	2006
	$	$	$	$
a. Reconciliation of Cash Flow from Operations with Loss after Income Tax				
Loss after income tax	(7,151,612)	(1,740,474)	(7,151,612)	(1,740,474)
Cash flows excluded from loss attributable to operating activities				
Bonds on tenements	-	(50,000)	-	(50,000)
Non-cash flows in loss				
Amortisation	2,991	1,254	-	-
Depreciation	92,160	31,635	1,470	-
Employee benefits	1,369,721	450	1,369,721	450
Discount on acquisition of wholly owned entity	(136,342)	-	-	-
Impairment loss on property, plant and equipment	-	2,762	-	-
Operating items paid by controlled entities	-	-	(84,374)	84,374
Operating items paid by associated entities	-	11,714	-	8,588
Write-back of investment in associate	-	-	-	(5)
Impairment loss on investment in controlled entity	-	-	5,169,680	1,194,560
Impairment loss on investment in controlled entity	-	-	111,608	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
(Increase)/decrease in trade and term receivables	(93,706)	(121,250)	49,694	(69,246)
Increase/(decrease) in receivables from investing activities	-	12,455	(4,949)	4,790
(Increase)/decrease in prepayments	31,350	(35,651)	-	-
(Increase)/decrease in inventories	(271,003)	(27,510)	-	-
Increase/(decrease) in trade payables and accruals	(267,986)	333,812	95,782	115,884
(Increase)/decrease in payables from investing activities	(127,785)	(159,783)	(76,150)	(31,118)
(Increase)/decrease in payables from financing activities	60,151	(38,188)	60,151	(60,151)
Cashflow from operations	(6,492,061)	(1,778,774)	(458,979)	(542,348)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 24: CASH FLOW INFORMATION (CONT'D)

		Consolidated Group		Parent Entity	
		2007	2006	2007	2006
		$	$	$	$
b.	Acquisition of Entities				
	During the year 100% of the controlled entity HyRadix Inc was acquired. During the previous year the remaining 80.83% of the controlled entity Eden Innovations Ltd was acquired. Details of these transactions are:				
	Purchase consideration	520,000	5,323,750	-	5,304,487
	Shares issued to shareholders of acquired entity	(520,000)	(3,931,445)	-	(3,931,445)
	Cash consideration	-	1,392,305	-	1,373,042
	Cash acquired on acquisition	(724,911)	(136,943)	-	-
	Cash (inflow) / outflow	(724,911)	1,255,362	-	1,373,042

The assets acquired as a result of the acquisition of HyRadix Inc consisted of knowledge and know-how in respect of hydrogen technology and plant and equipment of HyRadix Inc.

Losses of HyRadix Inc included in consolidated loss of the group since the acquisition date on 26 April 2007 amounted to $1,213,636.

The assets acquired from Eden Innovations Ltd consisted entirely of intellectual property in respect of Hythane® technology.

c. Non-cash Financing and Investing Activities

i. Share issue

1,000,000 ordinary shares were issued to shareholders of Hyradix Inc at $0.52 as consideration for the purchase of Hyradix Inc. The share issue was based on the fair value of the company which was determined by an independent valuation of Hyradix Inc prior to the purchase. The shares are subject to a 12 month escrow period.

ii. During the year the consolidated group acquired plant and equipment with an aggregate value of $Nil (2006: $148,685) by means of finance leases. These acquisitions are not reflected in the cash flow statement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 25: SHARE-BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2007:

On 14 August 2006, 950,000 share options were granted to key management to accept ordinary shares at an exercise price of $0.25, exercisable on or before 30 August 2009. On 8 May 2007, 1,500,000 share options were granted to directors to accept ordinary shares at an exercise price of $0.70, exercisable on or before 7 May 2010 During May 2007, a further 2,450,000 share options were granted to employees and consultants to accept ordinary shares at exercise prices between $0.585 and $0.685. The options are exercisable from their vesting dates and expire at various dates between 30 August 2009 and 5 March 2012. The options hold no voting or dividend rights and are not transferable. At balance date, no share option has been exercised.

The company also operates an Employee Share Scheme. When issued, the shares carry full dividend and voting rights. On 14 August 2006, 950,000 share options were granted to employees under this scheme. On 29 November 2006, 50,000 vested ordinary shares were issued under this scheme to a consultant. There are to be another 8 further allotments of 50,000 ordinary fully paid shares to the consultant over the next 3.5 years.

All options granted to key management personnel are ordinary shares in Eden Energy Limited, which confer a right of one ordinary share for every option held.

	Consolidated Group				Parent Entity			
	2007		2006		2007		2006	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding at the beginning of the year	3,692,660	0.20	6,000,000	0.20	3,692,660	0.20	6,000,000	0.20
Granted	4,900,000	0.595	1,500,000	0.20	4,900,000	0.595	1,500,000	0.20
Share Consolidation	-	-	(3,390,958)	-	-	-	(3,390,958)	-
Transferred	(1,643,617)	-	(416,382)	0.20	(1,643,617)	-	(416,382)	0.20
Outstanding at year-end	6,949,043	0.479	3,692,660	0.20	6,949,043	0.479	3,692,660	0.20
Exercisable at year-end	6,949,043	0. 479	3,692,660	0.20	6,949,043	0. 479	3,692,660	0.20

The options outstanding at 30 June 2007 had a weighted average exercise price of $0.479 and a weighted average remaining contractual life of 2.7 years. Exercise prices range from $0.20 to $0.70 in respect of options outstanding at 30 June 2007.

The weighted average fair value of the options granted during the year was $0.2795.

This price was calculated by using a Black-Scholes option pricing model applying the following inputs:

Weighted average exercise price	$0.595
Weighted average life of the option	2.92 years
Underlying share price	$0.68
Expected share price volatility	84.1%
Risk free interest rate	6.50%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender, which may not eventuate.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 25: SHARE-BASED PAYMENTS (CONT'D)

No options were exercised during the year ended 30 June 2006. Included under employee benefits expense in the income statement is $1,221,215 (2006: $450) and included under other expenses in the income statement is $148,606, and relates, in full, to the fair value of equity-settled share-based payment transactions. The fair value of the options was determined using the Black-Scholes option valuation methodology.

NOTE 26: EVENTS AFTER THE BALANCE SHEET DATE

a. On 23 July 2007, the Group issued 23,230,334 ordinary shares at $0.60 to shareholders to raise working capital.

a. After year-end, the Group incorporated a wholly owned subsidiary in India, Eden Energy India Pvt Ltd.

c. The financial report was authorised for issue on 27 September 2007 by the board of directors.

NOTE 27: RELATED PARTY TRANSACTIONS

	Consolidated Group		Parent Entity	
	2007 $	2006 $	2007 $	2006 $
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.				
Transactions with related parties:				
a. Key Management Personnel				
Management fees and administration fees paid to Princebrook Pty Ltd, a company in which Mr GH Solomon and Mr DH Solomon have an interest.	126,000	129,300	126,000	126,000
Legal and professional fees paid to Solomon Brothers, a firm of which Mr GH Solomon and Mr DH Solomon are partners.	62,892	1,364	62,892	1,364
Commissions on placement of ordinary shares paid to R M Capital Pty Ltd, a company in which Mr GT Le Page has an interest.	126,750	-	126,750	-
Consulting fees paid to R M Capital Pty Ltd, a company in which Mr GT Le Page has an interest.	12,500	-	12,500	-
Loan to Mr G Egan on interest-free terms, repayable on demand.	38,368	38,368	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 28: FINANCIAL INSTRUMENTS

a. Financial Risk Management

The group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable and loans to and from subsidiaries.

The main purpose of non-derivative financial instruments is to raise finance for group operations.

i. Financial Risks

The main risks the group is exposed to through its financial instruments is credit risk.

Credit risk

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 provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

The consolidated group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the consolidated group.

b. Financial Instruments

i. Interest Rate Risk

The consolidated group'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 and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 28: FINANCIAL INSTRUMENTS (CONT'D)

	Fixed Interest Rate Maturing			
	Weighted Average Effective Interest Rate		Floating Interest Rate	
	2007	2006	2007 $	2006 $
Financial Assets:				
Cash and cash equivalents	3.42%	5.42%	2,523,490	6,930,339
Total Financial Assets	3.42%	5.42%	2,523,490	6,930,339

	Weighted Average Effective Interest Rate		1 to 5 years	
	2007	2006	2007 $	2006 $
Financial Liabilities:				
Lease liabilities	7.76%	7.76%	57,800	111,802
Total Financial Liabilities	7.76%	7.76%	57,800	111,802

	Non Interest Bearing		Total	
	2007 $	2006 $	2007 $	2006 $
Financial Assets:				
Cash and cash equivalents	944,928	-	3,468,418	6,930,339
Receivables	260,347	151,720	260,347	151,720
Receivable from related parties	38,368	38,368	38,368	38,368
Investments	1,286,599	627,721	1,286,599	627,721
Other assets	180,806	35,651	180,806	35,651
Total Financial Assets	2,711,048	853,460	5,234,538	7,783,799
Financial Liabilities:				
Trade and sundry payables	2,163,577	394,700	2,163,577	394,700
Amounts payable related parties	-	268,091	-	268,091
Lease liabilities	-	-	57,800	111,802
Other liabilities	-	130,940	-	130,940
Total Financial Liabilities	2,163,577	793,731	2,221,377	905,533

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 28: FINANCIAL INSTRUMENTS (CONT'D)

ii. Net Fair Values

The net fair values of:

— Financial assets and financial liabilities, at the balance date, are approximated by their carrying value.

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date.

	2007		2006	
	Carrying Amount $	Net Fair Value $	Carrying Amount $	Net Fair Value $
Financial Assets				
Cash and cash equivalents	3,468,418	3,468,418	6,930,339	6,930,339
Available-for-sale financial assets at fair value	1,286,599	1,286,599	627,721	627,721
Loans and receivables	298,715	298,715	190,088	190,088
Other assets	180,806	180,806	35,651	35,651
	5,234,538	5,234,538	7,783,799	7,783,799
Financial Liabilities				
Trade and sundry payables	2,063,577	2,063,577	394,700	394,700
Lease liabilities	57,800	57,800	111,802	111,802
Other loans and amounts due	-	-	268,091	268,091
Other liabilities	-	-	130,940	130,940
	2,121,377	2,121,377	905,533	905,533

Fair values are materially in line with carrying values.

NOTE 29: CHANGE IN ACCOUNTING POLICY

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2007, but have not been applied in preparing this financial report.

AASB 7 *Financial Instruments*: *Disclosures* (August 2005) replaces the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007, and will require extensive additional disclosures with respect top the Group's financial instruments and share capital.

AASB 2005-10 Amendments to Australian Accounting Standards (September 2005) makes consequential amendments to AASB 132 *Financial Instruments*: *Disclosure and Presentation,* AASB 101 *Presentation of Financial Statements,* AASB 114 *Segment Reporting, AASB 117 Leases*, AASB 133 *Earnings Per Share,* AASB 139 *Financial Instruments: Recognition and Measurement,* AASB 1 *First-time adoption of Australian Equivalents to International Financial Reporting Standards,* AASB 4 *Insurance Contracts,* AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts* arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007 and is expected to only impact disclosures contained within the consolidated financial report

AASB 8 *Operating Segments* replaces the presentation for annual reporting periods beginning on or after 1 January 2009 and it is not expected to have an impact on the financial results of the Company and the Group as the standard is only concerned with disclosures.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 29: CHANGE IN ACCOUNTING POLICY (CONT'D)

AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 makes amendments to AASB 5 *Non-current Assets Held for Sale and Discontinued Operations,* AASB 6 Exploration *for and Evaluation of Mineral Resources,* AASB 102 *Inventories,* AASB 107 *Cash Flow Statements* AASB 119 *Employee Benefits,* AASB 127 *Consolidated and Separate Financial Statements,* AASB 134 *Interim Financial Reporting,* AASB 136 *Impairment Assets,* AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts.* AASB 2007-3 is applicable for annual reporting periods beginning on or after 1 January 2009 and must be adopted in conjunction with AASB 8 *Operating Segments.* This standard is only expected to impact disclosures contained within the financial report.

AASB 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation II amends AASB 2 *Share-based Payments* to insert the transitional provisions of IFRS 2, previously contained in AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards.* AASB 2007-1 is applicable for annual reporting periods beginning on or after 1 March 2007 and is not expected to have any impact on the consolidated financial report.

AASB 2007-2 Amendments to Australia Accounting Standards arising from AASB Interpretation 12 makes amendments to AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards,* AASB 117 *Leases,* AASB 118 *Revenue*, AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance,* AASB 121 *The Effects of Changes in Foreign Exchange Rates,* AASB 127 *Consolidated and Separate Financial Statement,* AASB 131 *Interest in Joint Ventures,* and AASB 139 *Financial Instruments Recognition and Measurement.* AASB 2007-2 is applicable for annual reporting periods beginning on or after 1 January 2008 and must be applied at the same time as the Interpretation 12 Service Concession Arrangements.

AASB 2007-2 Amendments to Australian Accounting Standards also amends references to "UIG Interpretation" to interpretations. This amending standard is applicable to annual reporting periods ending on or after 28 February 2007.

AASB 2007-4 Amendments to Australian Accounting Standards arising from ED 151 and other Amendments makes consequential amendments to AASB 1 First-time adoption of Australian Equivalents to International Financial Reporting Standards, AASB 2 Share Based Payments, AASB 3 Business Combinations, AASB 4 Insurance Contracts, AASB 5 Non-Current Assets Held for Sale and Discontinued Operations, AASB 6 Exploration for and Evaluation of Mineral Resources, AASB 7 Financial Instruments : Disclosures, AASB 102 Inventories, AASB 107 Cash Flow Statement, AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, AASB 110 Events after the Balance Sheet Date. AASB 112 Income Taxes, AASB 114 Segment Reporting, AASB 116 Property, Plant and Equipment, AASB 117 Leases, AASB 118 Revenue, AASB 119 Employee Benefits, AASB 120 Accounting for Government Grants and Disclosure of Government Assistance, AASB 121 The Effects of Changes in Foreign Currency Rates, AASB 127 Consolidated and Separate Financial Statements, AASB 128 Investment in Associates, AASB 129 Financial Reporting in Hyperinflationary Economies, AASB 130 Disclosures of Financial Statement of Banks and Similar Financial Institutions, AASB 131 Interest in Joint Ventures, AASB 132 Financial Instruments: Disclosures and Presentation, AASB 133 Earnings Per Share, AASB 134 Interim Financial Reporting, AASB 136 Impairment of Assets, AASB 137 Provision, Contingent Liabilities and Contingent Assets, AASB 138 Intangible Assets, AASB 139 Financial Instruments: Recognition and Measurement, AASB 141 Agriculture, AASB 1023 General Insurance Contracts, and AASB 1038 Life Insurance Contracts. This standard is applicable to annual reporting periods beginning on or after 1 July 2007. The potential impact on the Company has not yet been determined.

AASB 2007-5 Amendments to Australian Accounting Standard – Inventories Held for Distribution by Not-for-Profit Entities requires inventories held for distribution by not-for-profit entities to be measured at the lower of cost and current replacement costs. AASB 2007-5 is applicable for annual reporting periods beginning on or after 1 July 2007 and is not expected to have an impact on the financial results or disclosures contained within the financial report.

AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 makes amendments to AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards, AASB 101 Presentation of Financial Statements, AASB 107 Cash Flow Statements, AASB 111 Construction contracts, AASB 116 Property, Plant and Equipment, AASB 138 Intangible Assets, Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities and Interpretation 12 Service Concession Arrangements. AASB 2007-6 is applicable for annual reporting periods beginning on or after 1 January 2009 and must be applied at the same time as AASB 123 Borrowing Costs. This standard principally removes the references to expensing borrowing costs on qualifying assets.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 29: CHANGE IN ACCOUNTING POLICY (CONT'D)

AASB 2007-7 Amendments to Australian Accounting Standards arising from AASB 2007-4 makes amendments to AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards, AASB 2 Share-Based Payment, AASB 4 Insurance Contracts, AASB 5 Non-current Assets Held for Sale and Discontinued Operations, AASB Cash Flow Statements and AASB 128 Investments in Associates. AASB 2007-7 is applicable for annual reporting periods beginning on or after 1 July 2007. This standard is only expected to impact disclosures contained within the financial report.

NOTE 30: COMPANY DETAILS

The registered office of the company is:

Eden Energy Limited

Level 40, Exchange Plaza

2 The Esplanade

Perth Western Australia 6000

The principal places of business is:

Eden Energy Limited

Level 40, Exchange Plaza

2 The Esplanade

Perth Western Australia 6000

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 18 to 59, are in accordance with the *Corporations Act 2001* and:
   a. comply with Accounting Standards and the Corporations Regulations 2001; and
   b. give a true and fair view of the financial position as at 30 June 2007 and of the performance for the year ended on that date of the company and consolidated group;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
   a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
   b. the financial statements and notes for the financial year comply with the Accounting Standards; and
   c. the financial statements and notes for the financial year give a true and fair view;
3. in the directors' 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 H Solomon

Director

G H Solomon

Dated this 28th day of September 2007

CHARTERED
ACCOUNTANTS
& BUSINESS
ADVISORS

A MEMBER OF
MOORES ROWLAND
INTERNATIONAL

Bentleys mri
Thinking ahead

Bentleys MRI Perth Partnership
ABN 17 735 344 518

Level 1, 10 Kings Park Road
West Perth WA 6005
Australia

PO Box 570 West Perth WA 6872

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F 61 8 9322 7787

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
EDEN ENERGY LIMITED

Report on the Financial Report and AASB 124 Remuneration Disclosures Contained in the Directors' Report

We have audited the accompanying financial report of Eden Energy Limited (the "Company"), which comprises the balance sheets as at 30 June 2007, and the income statements, statements of changes in equity, and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 30, and the directors' declaration set out on page 60 of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the Corporations Regulations 2001, the Company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Australian Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "Remuneration Report" in the Directors' report and not in the financial report. We have audited these remuneration disclosures.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosures contained in the Directors' report.

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors of the Company are also responsible for the remuneration disclosures contained in the Directors' report.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is also to express an opinion on the remuneration disclosures contained in Directors' report based on our audit.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EDEN ENERGY LIMITED

Report on the Financial Report and AASB 124 Remuneration Disclosures Contained in the Directors' Report (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the Directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the Directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the Directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the Directors' report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance and whether the remuneration disclosures are in accordance with Australian Accounting Standard AASB 124.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion on the financial report

In our opinion, the financial report of Eden Energy Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2007 and of their performance for the financial year ended on that date, and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

Auditor's opinion on AASB 124 remuneration disclosures contained in the Directors' report

In our opinion, the remuneration disclosures that are contained in the Remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures.*

Bentleys MRI Perth Partnership

BENTLEYS MRI PERTH PARTNERSHIP

MJ HILLGROVE
PARTNER

Dated at Perth this 28th day of September 2007.

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following additional information is required by the Australian Securities Exchange Ltd in respect of listed public companies only.

1. Shareholding

a. Distribution of Shareholders

Category (size of holding)	Number Ordinary
1 – 1,000	70
1,001 – 5,000	386
5,001 – 10,000	398
10,001 – 100,000	755
100,001 – and over	103
	1,712

b. The number of shareholdings held in less than marketable parcels is nil.

c. The names of the substantial shareholders listed in the holding company's register as at 31 August 2007 are:

Shareholder	Number Ordinary	Percentage %
Noble Energy Limited	32,979,888	20.803%
Ganesha Nominees Pty Ltd	21,397,154	13.497%
National Nominees Pty Ltd	8,110,546	5.116 %

d. Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares

— Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Options

— Options have no voting rights.

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

e. 20 Largest Shareholders — Ordinary Shares

	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	Noble Energy Limited	32,979,888	20.803%
2.	Ganesha Nominees Pty Ltd	21,397,154	13.497%
3.	National Nominees Pty Ltd	8,110,546	5.116 %
4.	Mr Gregory Egan	7,635,005	4.816%
5.	St Peter Port Capital Limited	7,600,000	4.794%
6.	Bond Street Custodians Limited <Macquarie Smaller Co's A/C>	7,428,572	4.686%
7.	Top Energy Pty Ltd	4,352,846	2.746%
8.	Arkenstone Pty Ltd representing the interests of Gregory Howard Solomon (Executive Chairman)	3,181,299	2.007%
9.	March Bells Pty Ltd representing the interests of Douglas	3,001,302	1.893%

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

e. 20 Largest Shareholders — Ordinary Shares

	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
	Howard Solomon (Non-Executive Director)		
10.	Citicorp Nominees Pty Limited	2,565,490	1.618%
11.	Coote Energy Pty Ltd	2,000,000	1.262%
12.	Harbour Views No 1 Pty Ltd	1,832,401	1.156%
13	RBC Dexia Investor Services Australia Nominees Pty Limited <MLCI A/C>	1,678,975	1.059%
14.	Mr Roger Marmaro	1,225,901	0.773 %
15.	K & V Lamb Pty Ltd	1,206,092	0.761%
16.	Mr David Alexander Giles	954,795	0.602%
17.	Koch Hydrogen LLC	672,100	0.424%
18.	Mr Justin Fulton	671,547	0.424%
19.	Mr James William Mahony & Mrs Raema Sue Mahony <Jimrae Superfund A/C>	567,237	0.358%
20.	Starwide Investments Pty Ltd	500,000	0.315%
		109,551,150	69.110%

2. The name of the company secretary is Raymond F Buscall.

3. The address of the principal registered office in Australia is Level 40, Exchange Plaza, 2 The Esplanade Perth Western Australia 6000. Telephone 61 8 9221 5323.

4. Registers of securities are held at the following addresses

Western Australia Advance Share Registry Services
10 Stirling Highway
Nedlands WA 6009

5. Stock Exchange Listing

Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Securities Exchange Limited.

6. Unquoted Securities

Options over Unissued Shares

A total of 86,588,908 options are on issue. 86,588,908 options are on issue to 689 holders of ordinary securities. 6,949,043 options are on issue to 5 directors and 35 employees under the Eden Energy Limited employee option plan.

7. Restricted Securities

A total of 49,270,338 shares and 50,933,556 options are currently placed in escrow to be released at various dates.

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