Eden Energy Ltd

(ABN 58 109 200 900)

and Controlled Entities

Annual Report
for the
Year Ended 30 June 2008

CONTENTS

HIGHLIGHTS

Hydrogen and Hythane®

- **Indian Government committee approves use of Hythane® (20% hydrogen / 80% Natural Gas by volume) as a blend of Natural Gas for motor vehicle operation.**
- **Indian Oil Corporation, a Fortune 500 company which is one of India's largest petroleum marketing groups, selected Hythane Company LLC, a wholly owned subsidiary, to supply and install the first public hydrogen dispensing station in India to supply fuel to motor vehicles running on either hydrogen or Hythane®, a mixture of hydrogen and Natural Gas. Work on building the first public hydrogen dispensing station in India to supply fuel to motor vehicles running on either hydrogen or Hythane® has been started and the equipment has been shipped to India for installation.**
- **Eden Energy India Private Limited, a wholly owned Indian subsidiary, has been established. The first staff have been engaged, giving Eden a strong base from which it can rapidly expand its operations throughout India to achieve its objectives.**
- **HyRadix, Inc., a wholly owned subsidiary entered into an agreement with Praxair India, a subsidiary of US based Fortune 300 company, Praxair, Inc., for the supply of the HyRadix Aptus® on-site hydrogen generator for industrial applications within India.**
- **Eden Cryogenics LLC which operates a cryogenic design and fabrication facility in Columbus Ohio, USA, manufacturing cryogenic valves, jackets and other components, has completed the purchase of the assets and intellectual property of Cryogenic Technical Services ("CTS"), a company of which Dr. Glen E. McIntosh is President and founder.**
- **NASA awarded Eden Cryogenics LLC two major contracts that are critical to the construction and ultimate operation of the A-3 J-2X rocket engine Test Stand at NASA's John C. Stennis test centre. One the contracts was awarded in November 2007 and is in the manufacturing stage at Eden Cryogenics with a value of USD $0.9 million. The second contract was awarded to Eden Cryogenics on 30 September 2008, with a value of USD$13 million, to be completed over a 14 months.**
- **In October 2008, due to the current difficult economic environment, after assessing the priorities for the various hydrogen projects and their cash flow requirements, the directors, after considering a range of refinancing alternatives following the default by Zoom Developers Ltd in providing finance as agreed, resolved to try to sell the businesses of HyRadix, Eden Cryogenics and CTS which will reduce the cash outflow by approximately 60%. Whilst these businesses have great potential, this decision will enable Eden to retain and focus on its core projects, being its Hythane® project and South Wales Coal Bed Methane project.**
- **On 27 October 2008 Eden entered into a conditional agreement to sell the businesses of HyRadix, Eden Cryogenics and CTS to a listed Australian public company for listed shares having a value of approximately $2 million. This agreement is conditional upon certain matters which must be satisfied by 30 November 2008, at which time full details will be announced.**

South Wales – Coal Seam Methane (Eden earning 50%)

- **Eden, jointly with its 50% Welsh coal seam methane partner, has been awarded an additional 17 petroleum and coal seam methane blocks covering an area of approximately 1400km2. This, when added to the 4 existing blocks, will increase the total area of petroleum and coal seam methane licences held by the joint venture in UK from 430km2 to more than 1800 km2. The new licences include 8 new blocks in South Wales, 5 in South West England and 4 in Kent.**
- **Encouraging results from first 3 wells**
    - **Llangeinor 1 - 18 seams intersected for an aggregate drilled thickness of 19m, gas content up to 11.4m3/t**
    - **Aberavon 1 - 12 seams intersected for an aggregate drilled thickness of 15.81m, gas content up to 9m3/t, permeability of 44mD in the shallower zone 18mD in the deeper zone, gas content 94% methane plus a small but significant content of ethane and heavier hydrocarbons (1.6%) (which is very close to typical Australian pipeline specifications for natural gas).**
    - **Pencoed 1 - did not reach planned TD and therefore did not sample full potential of the area. Permeability measurements were few due to unfavourable hole conditions. Some encouraging results were obtained.**
- **Independent report estimates prospective recoverable resources of between 380 and 670 PJ (approximately 380 to 670 Bcf in volumetric terms) of coal seam methane (CSM) in PEDL 100 from initial drilling and prior coal borehole data, with potential for a further increase.**

Geothermal Energy

- **Eden's first geothermal exploration hole (Chowilla-1) was drilled and completed at 512m in South Australia's Riverland, north of Renmark. Thermal conductivity measurements were taken on core samples and temperature surveys performed.**
- **An existing abandoned oil exploration well approximately 40 km to the North East of the Chowilla well and located in Eden's NSW geothermal exploration licence, contiguous to the Chowilla licence, was re-entered in May and a temperature survey obtained. Initial preliminary heat flow calculations from this survey, indicate a potentially exploitable geothermal resource may exist in this area.**

CORPORATE DIRECTORY

DIRECTORS:
Gregory H Solomon **LLB** (Executive)
Douglas H Solomon **BJuris LLB (Hons)** (Non-Executive)
Guy T Le Page **B.A., B.Sc. (Hons).,M.B.A., FINSIA., MAusIMM** (Non-Executive)
Gregory J Egan **B.A.** (Non-Executive) (Resigned September 2008)
Andrew Leibovitch **ACA (United Kingdom)** (Non-Executive)
Richard J Beresford **FAICD FAIE** (Non-Executive)

COMPANY SECRETARY:
Raymond F Buscall

REGISTERED OFFICE:
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SOLICITORS:
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2 The Esplanade
Perth WA 6000

Minter Ellison
1 King William Street
Adelaide SA 5000

AUDITORS:
Grant Thornton (WA) Partnership
Chartered Accountants
Level 1
10 Kings Park Road
West Perth WA 6005

SHARE REGISTRY:
Advanced 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.

REVIEW OF OPERATIONS

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.

In October 2008, due to the current difficult economic environment, after assessing the priorities for the various hydrogen projects and their cash flow requirements, the directors, after considering a range of refinancing alternatives following the default by Zoom Developers Ltd in providing finance as agreed, resolved to try to sell the businesses of HyRadix, Eden Cryogenics and CTS which will reduce the cash outflow by approximately 60%. Whilst these businesses have great potential, this decision will enable Eden to retain and focus on its core projects, being its Hythane® project and South Wales Coal Bed Methane project.

On 27 October 2008 Eden entered into a conditional agreement to sell the businesses of HyRadix, Eden Cryogenics and CTS to a listed Australian public company for listed shares having a value of approximately $2 million. This agreement is conditional upon certain matters which must be satisfied by 30 November 2008, at which time full details will be announced.

It is envisaged that Eden will continue to source production and storage equipment for its Hythane® projects either from HyRadix and Eden Cryogenics where they can supply the same on a competitive basis.

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.

Production, by Eden's manufacturing partner Larsen & Toubro, continued in India of the first five of HyRadix's APTUS 100 hydrogen reformers that will be used in Indian Hythane® bus demonstration projects and for industrial gas applications. The first reformer is due for completion by October 2008.

HyRadix entered into an agreement with Praxair India, a subsidiary of US based Fortune 300 company, Praxair, Inc., for the supply of the HyRadix Aptus® on-site hydrogen generator for industrial hydrogen applications within India. This multi-year agreement covers the certification of the HyRadix Aptus hydrogen generator via the Praxair vendor qualification process as well as the exclusive supply of the Aptus generator to Praxair in India for industrial gas sales purposes. The first unit is expected to be delivered to Praxair in late 2008 for completion of the vendor qualification process.

HyRadix has been marketing the Aptus unit worldwide and currently is in discussions with numerous organisations for the sale of the Aptus units.

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.

This project has identified that in addition to production of hydrogen and carbon powder and fibres (commonly known as Carbon Black), instead of producing carbon dioxide, under certain conditions, multi-walled and single-walled carbon nanotubes were produced together with hydrogen, and under other conditions, instead of causing the methane molecules to separate into carbon and hydrogen, the molecules amalgamated to form more complex liquid hydrocarbons, some of which could potentially be used in the production of plastics.

Carbon nanotubes have enormous tensile strength (several hundred times stronger than steel) as well as being exceptional conductors of electricity, and this process potentially opens up large markets for this carbon in both the structural materials markets and the electronics market.

Eden is exploring alternative ways to continue to develop and promote this new technology.

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, further great progress has been made. The rollout of Hythane® depends upon the continued rollout of natural gas across India. Highlights include:

1. Ashok Leyland is 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 promote Hythane® and to conduct a Hythane® bus demonstration in the state of Gujarat. This project has the support of the Gujarat State Government and is planned to start late in CY 2008 or in the first half of 2009.
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 much of the Eden equipment requirements. Work on the construction of the first hydrogen reformer is nearing completion which is scheduled for November 2008.
4. Indian Oil Corporation (IOC). IOC is one of India's largest petroleum marketing groups. IOC selected Hythane Company LLC, to supply and install the first public hydrogen dispensing station in India to supply fuel to motor vehicles running on either hydrogen or Hythane®. The equipment has been shipped to India and installation is planned for late in CY 2008.
5. The Committee that administers the national Central Motor Vehicles Rules, in July 2008, resolved to accept that natural gas with up to 20% hydrogen by volume mixed with the natural gas will be accepted as natural gas for the purposes of the CVMR, opening the way for the widespread use of Hythane® as a premium blend of natural gas.

In addition, following a preliminary agreement with Cummins India, Eden took a Cummins diesel powered generator from India to Hythane® Company's test facility in Colorado in the United States. The necessary development work for operation of the generator on a combination of diesel and Hythane® and diesel and natural gas is nearing completion. A pilot project to demonstrate the economic and environmental benefits from this is planned for 4Q 2008 or 1Q 2009, when the dual fuel kit is anticipated to be available and when the first hydrogen reformers are scheduled for completion.

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$25 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.

In August 2007 Eden Cryogenics LLC, completed the purchase of the assets and intellectual property of Cryogenic Technical Services ("CTS"), a company of which Dr. Glen E. McIntosh is President and founder. Dr. McIntosh established CTS more than 28 years ago as a world-leading cryogenic design and consulting company and, at the request of NASA, expanded it into specialty fabrication.

The acquisition of CTS with its world-leading cryogenic design, consultancy and fabrication skills dramatically extends the scope and capacity of Eden Cryogenics LLC, and it is budgeted to substantially increase the Company's cash flow from a wide range of customers, including ASRC (Kennedy) and NASA Glenn, as well open up a far wider market for the broader range of services.

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).

NASA has awarded Eden Cryogenics LLC two major contracts that are critical to the construction and ultimate operation of the A-3 J-2X rocket engine Test Stand at NASA's John C. Stennis test centre. One the contracts was awarded in November 2007 and is in the manufacturing stage at Eden Cryogenics with a value of USD $0.9 million. The second contract was awarded to Eden Cryogenics on 30 September 2008, with a value of USD$13 million, to be completed over a 14 months.

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 was completed on the last of three initial coal bed methane exploration wells in South Wales to test CBM parameters including the gas content and quality, and the permeability of the coal seams. Eden jointly with Coastal Oil and Gas Ltd and UK Methane Ltd, its Welsh coal seam methane partners, were successful in the recent 13th round of on-shore licensing conducted by the British government. Applications were made by the Joint Venture for 10 additional blocks surrounding their existing South Wales coal seam methane project, and Eden and its joint venture partner were successful in 8 of those applications. In addition, applications by the Joint Venture for five blocks in the South West of England covering an area of approximately 450km^2 of the coal fields, and for four blocks covering approximately 300km^2 of the Kent coal fields in Eastern England were also successful. The licences cover more than 1,800km^2.

With the completion of the three boreholes in PEDL 100, Eden has now discharged its farm-in obligations under the original farm-in agreements with Costal Oil and Gas Limited to earn 50% in the CSM interests in the Westphalian coal seams in PEDL 100. Eden still has further work to complete its farm-in obligation on PEDLs 148 and 149, the two other licences that were in the subject of the original farm-in agreement, shown in Figure 1, and to earn an interest in the deeper conventional natural gas targets in all three PEDLs. In aggregate, these PEDLs cover a combined area of 430 Km2, or more than 20% of the South Wales coal bearing basin.

Encouraging results from first 3 wells

- Llangeinor 1 - 18 seams intersected for an aggregate drilled thickness of 19m, gas content up to 11.4m3/t
- Aberavon 1 - 12 seams intersected for an aggregate drilled thickness of 15.81m, gas content up to 9m3/t, permeability of 44mD in the shallower zone 18mD in the deeper zone, gas content 94% methane plus a small but significant content of ethane and heavier hydrocarbons (1.6%) (which is very close to typical Australian pipeline specifications for natural gas).
- Pencoed 1 - did not reach planned TD and therefore did not sample full potential of the area. Permeability measurements were few due to unfavourable hole conditions, however some encouraging results were obtained.

An independent report commissioned during the year estimates prospective recoverable coal seam methane (CSM) resources of between 380 PJ and 670 PJ (approximately 380Bcf to 670 Bcf in volumetric terms) in PEDL 100, with potential additional upside. This is based on initial drilling result from three exploration wells and existing coal borehole data.

Further work to mature this prospective resource to a 3P Reserve level, will greatly increase the value of this asset. Eden anticipates the work required will involve a review of existing British Coal data and the drilling and testing of possibly between 6-10 additional drill holes. This work program is planned to start immediately.

REVIEW OF OPERATIONS

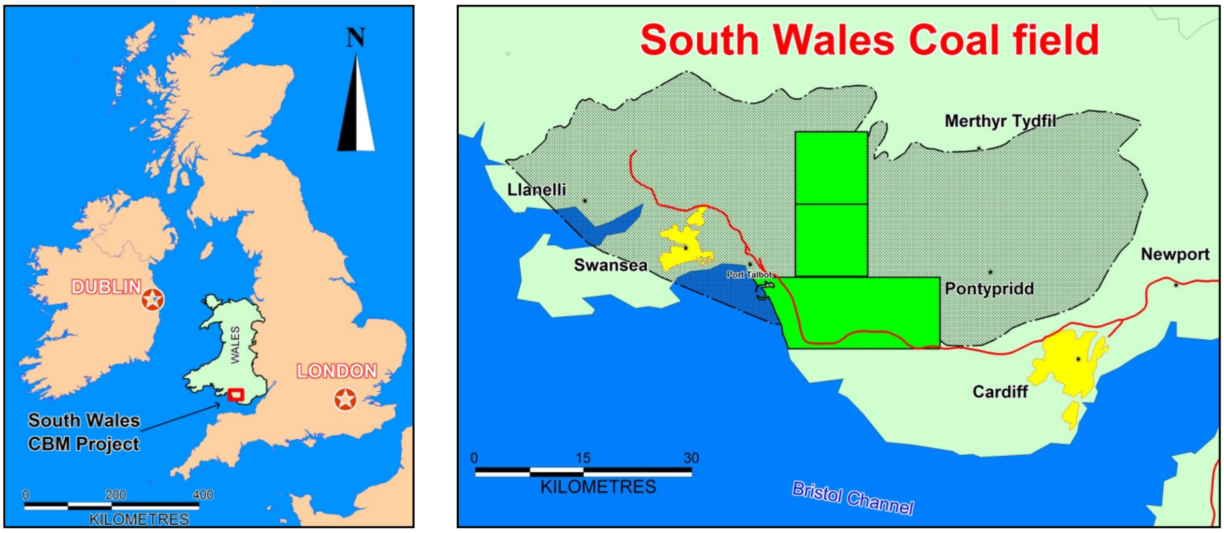


Figure 1. Location of Eden's Original South Wales Coal Seam Methane Joint Venture Project

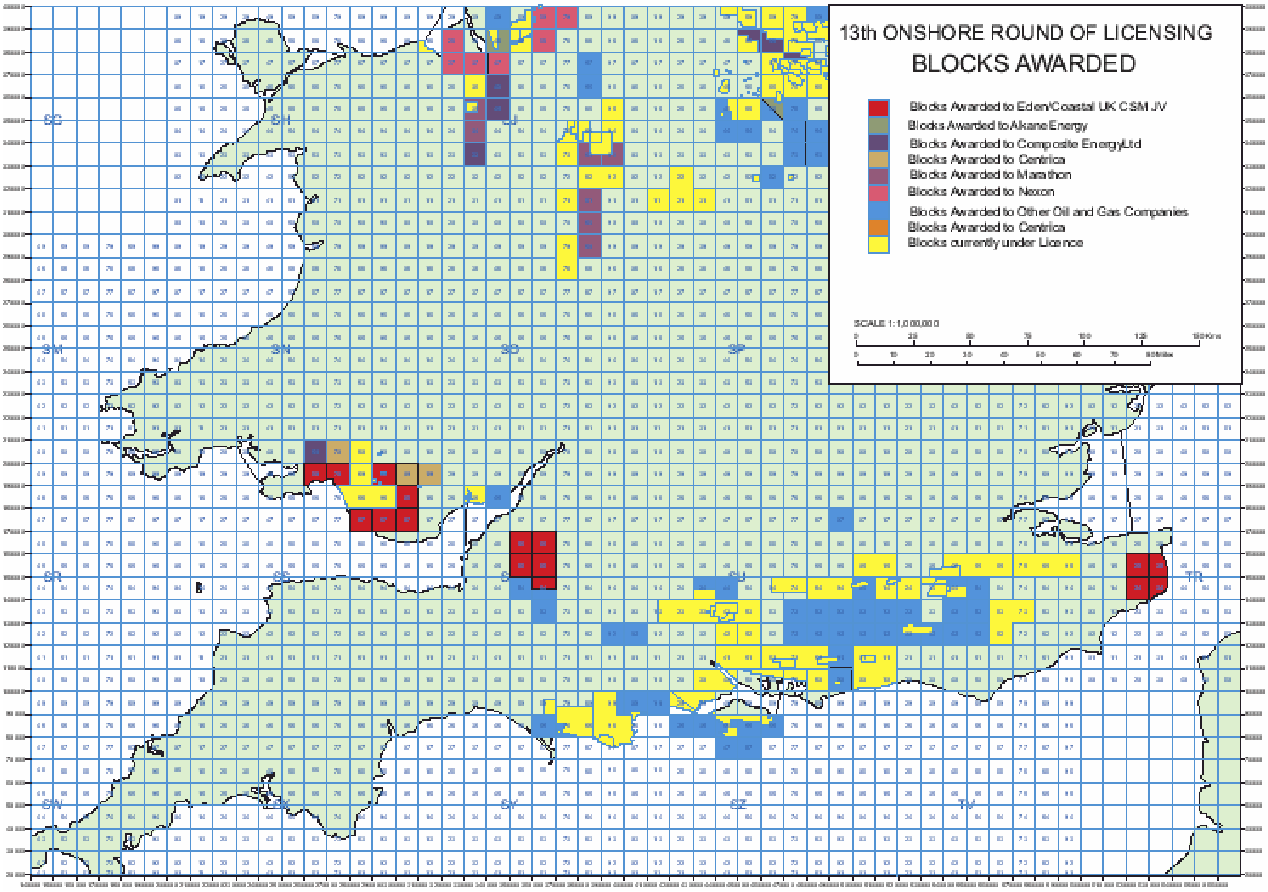


Figure 2. UK 13th Onshore Petroleum Licensing Round Results showing Eden's newly Awarded Petroleum Exploration and Development Licences in red

REVIEW OF OPERATIONS

SOUTH AUSTRALIAN GEOTHERMAL PROJECTS (EDEN 100%)

Eden and its wholly owned subsidiary Terratherma Ltd holds ten geothermal exploration licences in South Australia: GELs 166, 167, 168, 169, 175, 176, 177, 185, 329 and 330 and one geothermal exploration licence in NSW, EL7090, located contiguous to GELs 175 and 176. Eden was also granted 12 new geothermal licences in South Australia, GEL 411 to GEL 422, covering an area of 5,976km2 between Adelaide and Port Augusta on 18 August 2008.

The licence areas held include 500km^2 which adjoins the Geodynamic licences in the Cooper Basin, near Innamincka and 1,000km^2 near Renmark in South Australia, approximately 30-40km from national power grid transmission lines in SA and NSW.

Renmark drilling was completed during the year on GEL 175 in the Riverland - located 40km northeast of Renmark. A detailed temperature survey was also obtained in an old petroleum well in adjacent licence on the NSW side of the border – EL7090. In total, these tenements cover 1,943km2 of the geological feature known as the Renmark-Tararra Trough.

Chowilla 1, Eden's first geothermal prospecting well near Renmark, was completed at a depth of 512m. Core samples were recovered and heat conductivity data was obtained for heat flow calculations. A temperature survey was successfully acquired in May 2008, after a 3 month period to allow temperatures in the hole to equilibrate and stabilise. Calculations from Chowilla-1 data indicate heat flows of approximately 51mW/m2, which suggest a commercial heat resource is unlikely to be present in the immediate area of the well.

However, an existing abandoned oil well, Nulla Nulla-1, located approximately 40 km to the North East of the Chowilla-1 well, in Eden's contiguous NSW geothermal licence, was successfully re-entered and a temperature survey was obtained in May 2008. Hot bottom hole temperature measurements when the well was originally drilled (73^{o} C at 1200m) and preliminary heat flow calculations using the recently obtained temperature data and regional heat conductivity data from similar geological units in the Murray basin, suggest potential for an exploitable heat resource in this area. Work plans are urgently being developed to follow up and assess this encouraging heat anomaly.

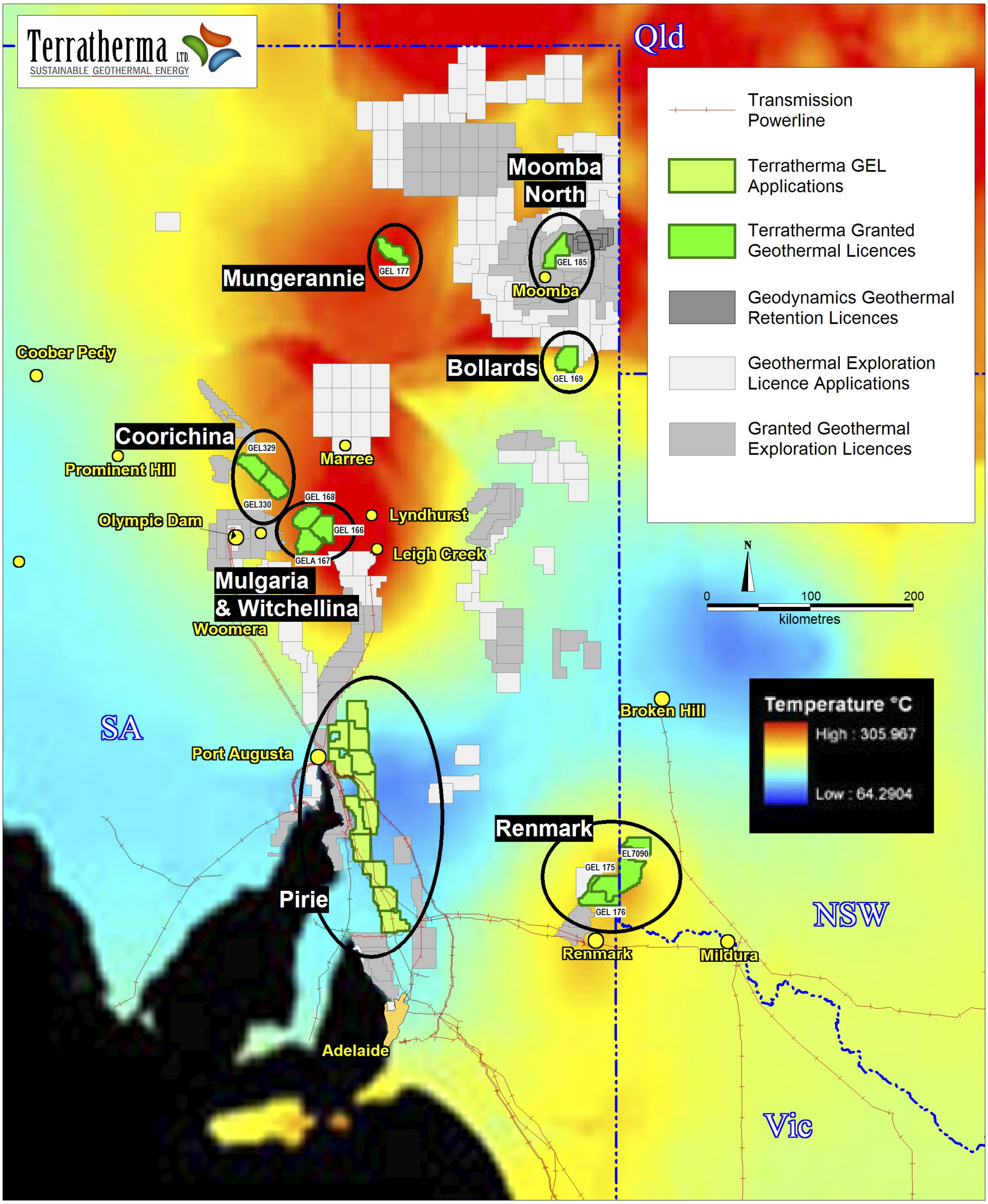
Orientation magnetotelluric surveys were completed in GELs 185, 177 and 169. Geothermal systems contain hot saline fluids and can also alter the rocks containing them. In general, this salinity and alteration together with the high temperatures associated with geothermal fluids tends to result in lower overall resistivity in geothermal systems compared to the surrounding rocks.

The magnetotelluric (MT) surveying method maps changes in the earth's electrical properties related to changes in resistivity by measuring the earth's electrical response to a wide frequency band of natural electromagnetic signals generated by ionospheric pulsations driven by solar activity.

It offers the promise of directly identifying possible geothermal targets in a cost effective manner and assisting in targeting drill holes to test heat flow and ultimately the target zones themselves.

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

REVIEW OF OPERATIONS



REVIEW OF OPERATIONS

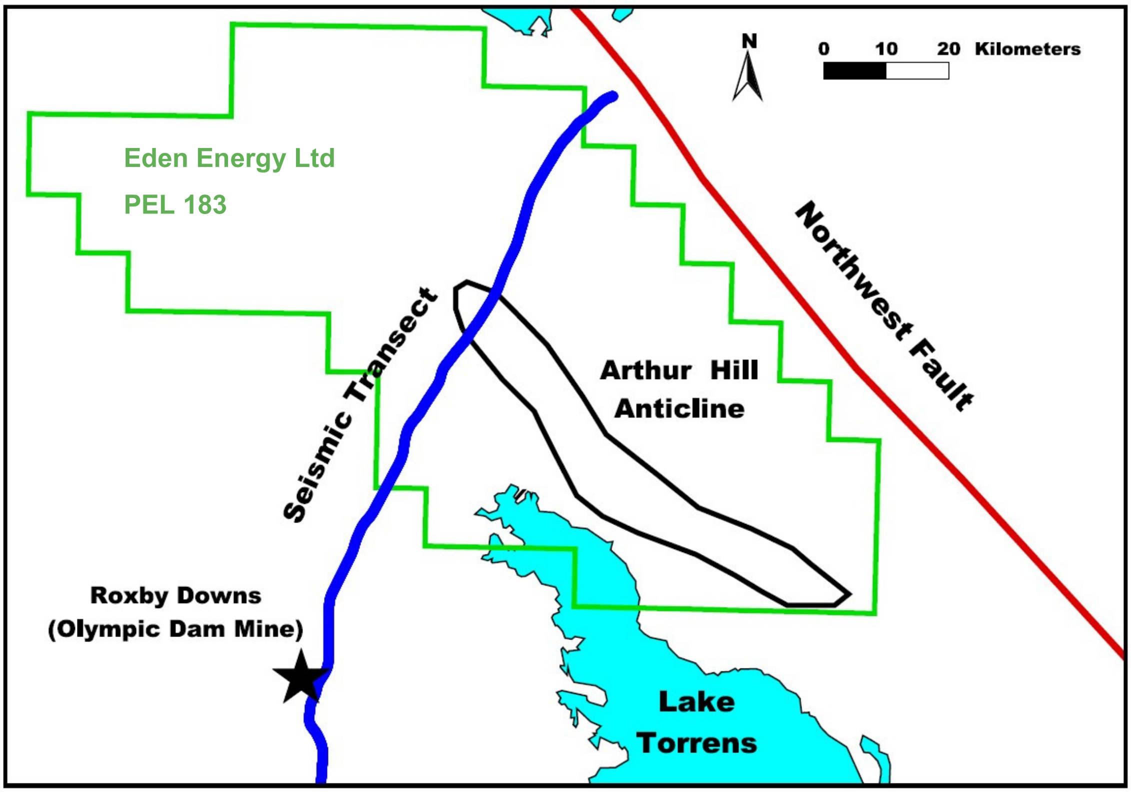
SOUTH AUSTRALIAN NATURAL GAS (EDEN 100%)

The project area is located 70km north of Roxby Downs and Olympic Dam, accessed using the Olympic Dam borefield pipeline road (the planned Moomba to OD pipeline route runs along same road). Petroleum Exploration Licence 183 was granted to Eden Energy for 5 years over 3982km^2 on 4 February 2008.

PEL183 contains the Mulgaria Sub-basin, a geological feature newly recognised on Geoscience Australia (GA) seismic data collected in 2004. Review of gravity data by Eden suggests the sub-basin occupies an area of up to 120km long by up to 10km wide. Anticlinal structures highlighted by the seismic imaging correspond with magnetic units within the sediments, supporting the gravity interpretation – the largest has been named the “Arthur Hill Anticline”.

The GA Seismic data was re-processed by Eden. “Bright spot” and “flat spot” anomalies are identified in seismic reflection data at the crest of the anticline and its north-eastern limb. These seismic features at the crest of the anticline are interpreted to be caused by gas accumulations, with natural gas being the target of commercial interest. There is also the possibility that any gas on these structures may also contain attractive amounts of helium given the age and radiogenic character of the basement rocks in the region.

It is hoped to drill the already identified Natural Gas target later in 2008, either in conjunction with a joint venture partner or alternatively as a wholly Eden-owned project.



CORPORATE GOVERNANCE STATEMENT

The Board of Directors

The Company's constitution provides that the number of directors shall not be less than three and not more than ten. There is no requirement for any share holding qualification.

As and if the Company's activities increase in size, nature and scope the size of the board will be reviewed periodically, and as circumstances demand.

The membership of the board, its activities and composition, is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the board shall include quality of the individual, background of experience and achievement, compatibility with other board members, credibility within the Company's scope of activities, intellectual ability to contribute to board's duties and physical ability to undertake board's duties and responsibilities.

Directors are initially appointed by the full board subject to election by shareholders at the next general meeting. Under the Company's constitution the tenure of a director (other than managing director, and only one managing director where the position is jointly held) is subject to reappointment by shareholders not later than the third anniversary following his or her last appointment. Subject to the requirements of the Corporation Act 2001, the board does not subscribe to the principle of retirement age and there is no maximum period of service as a director. A managing director may be appointed for any period and on any terms the directors think fit and, subject to the terms of any agreement entered into, may revoke the appointment.

The board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees at this time. The board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards.

Role of the Board

The board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the board is responsible for oversight of management and the overall corporate governance statement of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

Appointments to Other Boards

Directors are required to take into consideration any potential conflicts of interest when accepting appointments to other boards.

Independent Professional Advice

The board has determined that individual directors have the right in connection with their duties and responsibilities as directors, to seek independent professional advice at the Company's expense. With the exception of expenses for legal advice in relation to director's rights and duties, the engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably.

Continuous Review of Corporate Governance

Directors consider, on an ongoing basis, how management information is presented to them and whether such information is sufficient to enable them to discharge their duties as directors of the Company. Such information must be sufficient to enable the directors to determine appropriate operating and financial strategies for time to time in light of changing circumstances and economic conditions. The directors recognise that mineral exploration is an inherently risky business and that operational strategies adopted should, notwithstanding, be directed towards improving or maintaining the net worth of the Company.

ASX Principles of Good Corporate Governance

The board has reviewed its current practices in light of the ASX Principles of Good Corporate Governance and Best Practice Guidelines with a view to making amendments where applicable after considering the Company's size and the resources it has available.

As the Company's activities develop in size, nature and scope, the size of the board and the implementation of any additional formal corporate governance committees will be given further consideration.

The following table sets out the Company's present position with regard to adoption of these Principles.

	ASX Principle	Reference/comment
Principle 1: Lay solid foundations for management and oversight		
1.1	Formalise and disclose the functions reserved to the board and those delegated to management.	The Company has not adopted this recommendation to formalise and disclose the functions reserved to the board and those delegated to management. The Company considers the expense of sourcing additional directors at this stage of its development is unwarranted. The roles and functions within the Company must remain flexible in order for it to best function within its level of available resources.
Principle 2: Structure the board to add value		
2.1	A majority of board members should be independent directors	Due to the Company's size, nature and extent of operations, the company has departed from this principle.
2.2	The chairperson should be an independent director	Due to the Company's size, nature and extent of operations, the company has departed from this principle.
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual	Due to the Company's size, nature and extent of operations, the company has departed from this principle.
2.4	The board should establish a nomination committee	The board has no formal nomination committee. Acting in its ordinary capacity from time to time as required, the board carries out the process of determining the need for, screening and appointing new directors. In view of the size and resources available to the Company, it is not considered that a separate nomination committee would add any substance to this process.
2.5	Provide the information indicated in Guide to reporting on Principle 2	The skills and experience of directors are set out in the Company's Annual Report and on its website.
Principle 3: Promote ethical and responsible decision-making		
3.1	Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and other key executives as to 3.1.1 the practices necessary to maintain confidence in the Company's integrity 3.1.2 the responsibility and accountability of individuals reporting or investigating reports of unethical practices.	The Company has formulated a Code of Conduct which can be viewed on the Company's website.
3.2	Disclose the policy concerning trading in Company securities by directors, officers and employees	The Board has adopted a policy and procedure on dealing in the Company's securities by directors, officers and employees which prohibits dealing in the Company's securities when those persons possess inside information. It also requires the Company Secretary to be notified when trading of securities in the Company occurs.
3.3	Provide the information indicated in Guide to reporting on Principle 3	The Code of Conduct can be viewed on the Company's website.

Principle 4: Safeguard integrity in financial reporting

4.1	Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards	The Company requires the chief financial officer and executive chairman to make this statement.
4.2	The board should establish an audit committee	Due to the Company's size, nature and extent of operations, the company has departed from this principle.
4.3	Structure the audit committee so that it consists of: • Only non-executive directors • A majority of independent directors • An independent chairperson who is not the chairperson of the board • At least three members	The Board believes that, within the number of Directors on the Board, the Board itself is the appropriate forum to deal with this function.
4.4	The audit committee should have a formal charter	See 4.2
4.5	Provide the information indicated in Guide to Reporting on Principle 4	See 4.2

Principle 5: Make timely and balanced disclosure

5.1	Establish written policies and procedure designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance	The company has instigated internal procedures designed to provide reasonable assurance as to the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with relevant laws and regulations. The board is acutely aware of the continuous disclosure regime and there are strong informal systems in place to ensure compliance, underpinned by experience.
5.2	Provide the information indicated in Guide to Reporting on Principle 5	The board receives regular updates from the executive chairman on the status of the Company's activities and any new or proposed activities. Disclosure is reviewed as a routine agenda item at each board meeting

Principle 6: Respect the rights of shareholders

6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings	In line with adherence to continuous disclosure requirements of ASX all shareholders are kept informed of major developments affecting the Company. This disclosure is through regular shareholder communications including the Annual Report, Quarterly Reports, the Company website and the distributions of specific releases covering major transactions or events.
6.2	Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the audit and the preparation and content of the auditor's report	The Company's auditors attend the annual general meeting.

Principle 7:Recognise and mange risk

7.1	The board or appropriate board committee should establish policies on risk oversight and management	While the Company does not have formalised policies on risk management the board recognises its responsibility for identifying areas of significant business risk and for ensuring that arrangements are in place for adequately managing these risks.

7.2	The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the board in writing that: 7.2.1 the statement given in accordance with best practise recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board 7.2.2 the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.	The Company requires the chief financial officer and executive chairman to make this statement.
7.3	Provide information indicated in Guide to Reporting on Principle 7	See 7.1
Principle 8: Encourage enhanced performance		
8.1	Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives	The Company does not consider it appropriate to have sub-committee of the board to consider remuneration matters. Acting in its ordinary capacity, the board from time to time carries out the process of considering and determining performance issues including the identification of matters that may have a material effect on the price of the Company's securities. Whenever relevant, any such matters are reported to the ASX.
Principle 9: Remunerate fairly and responsibly		
9.1	Provide disclosure in relation to the Company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance	The Company discloses remuneration-related information in its Annual Report to shareholders in accordance with the Corporation Act 2001. 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 changed to the annual amount must be approved at a General Meeting of members of the Company.
9.2	The board should establish a remuneration committee	See 8.1
9.3	Clearly distinguish the structure of non-executive directors remuneration from that of executives	See 9.1
9.4	Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders	All equity- based executive remuneration is made in accordance with plans approved by shareholders.
9.5	Provide information indicated in ASX Guide to Reporting on Principle 9	No schemes exist for retirement benefits for non-executive directors other than statutory superannuation.
Principle 10: Recognise legitimate interests of Stakeholders		
10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders	The Company has formulated a Code of Conduct which can be viewed on the Company's website.

DIRECTORS' REPORT

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2008.

Directors

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

Gregory H Solomon	**Gregory J Egan (Resigned September 2008)**
Douglas H Solomon	**Andrew Leibovitch**
Guy T Le Page	**Richard J Beresford**

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 4 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 $10,910,824.

Dividends Paid or Recommended

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

Review of Operations

A summary of the major achievements for the year 1 July 2007 to 30 June 2008 follows.

Hydrogen and Hythane

- Indian Government committee approves use of Hythane® (20% hydrogen / 80% Natural Gas by volume) as a blend of Natural Gas for motor vehicle operation.
- Tests on an Indian manufactured generator have shown that the cost of production of electricity is reduced from 10.97 Rupees per kilowatt hour to 6.50 Rupees per kilowatt hour by using a dual fuel mixture of Hythane® and diesel compared with diesel alone.
- Work on building the first public hydrogen dispensing station in India to supply fuel to motor vehicles running on either hydrogen or Hythane® has been started by Hythane Co and the equipment has been shipped to India for installation.

South Wales – Coal Bed Methane (Eden earning 50%)

- Eden, jointly with its 50% Welsh coal seam methane partner, has been awarded an additional 17 petroleum and coal seam methane blocks covering an area of approximately 1400km2. This, when added to the 4 existing blocks, will increase the total area of petroleum and coal seam methane licences held by the joint venture in UK from 430km2 to more than 1800 km2. The new licences include 8 new blocks in South Wales, 5 in South West England and 4 in Kent.
- Encouraging results from first 3 wells
  - Llangeinor 1 - 18 seams intersected for an aggregate drilled thickness of 19m, gas content up to 11.4m3/t
  - Aberavon 1 - 12 seams intersected for an aggregate drilled thickness of 15.81m, gas content up to 9m3/t, permeability of 44mD in the shallower zone 18mD in the deeper zone, gas content 94% methane plus a small but significant content of ethane and heavier hydrocarbons (1.6%) (which is very close to typical Australian pipeline specifications for natural gas).
  - Pencoed 1 - did not reach planned TD and therefore did not sample full potential of the area. Permeability measurements were few due to unfavourable hole conditions. Some encouraging results were obtained.

- Independent report estimates prospective recoverable resources of between 380 and 670 PJ (approximately 380 to 670 Bcf in volumetric terms) of coal seam methane in PEDL 100 from initial drilling and prior coal borehole data, with potential for a further increase.

Geothermal Energy

- Eden's first geothermal exploration hole (Chowilla-1) was drilled and completed at 512m in South Australia's Riverland, north of Renmark. Thermal conductivity measurements were taken on core samples and temperature surveys performed.
- An existing abandoned oil exploration well approximately 40 km to the North East of the Chowilla well and located in Eden's NSW licence, was re-entered and a temperature survey obtained. Initial preliminary heat flow calculations from this survey, indicate a potentially exploitable geothermal resource may exist in this area.

Financial Position

The net assets of the consolidated group have increased by $9,309,306 from 30 June 2007 to $22,781,282 in 2008. This increase has largely resulted from the following factors:

- Significant investment in the South Wales Coal Bed Methane Project
- Internal development of the Hythane intellectual property
- Investment in the South Australian Geothermal Project
- Increase in working capital

The group's working capital, being current assets less current liabilities, has increased from $3,538,037 in 2007 to $6,947,205 in 2008.

Significant Changes in State of Affairs

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

On 23 July 2007 the Company issued 23,230,334 ordinary shares at $0.60 each to various institutions and sophisticated investors to raise working capital, to expand and accelerate the marketing of Hythane® in India and other markets and to fund exploration targets.

On 11 January 2008 the Company issued 8,163,157 ordinary shares at $0.38 each to various institutions and sophisticated investors to raise working capital, to expand and accelerate the marketing of Hythane® in India and other markets and to fund exploration targets.

On 17 and 23 June 2008 the Company issued 12,270,000 ordinary shares at $0.32 each to various institutions and sophisticated investors to raise working capital, to expand and accelerate the marketing of Hythane® in India and other markets and to fund exploration targets.

After Balance Date Events

On 11 August 2008 the Company signed a Letter of intent with Zoom Developers Private Ltd whereby Zoom will provide with short-term working capital of A$5 million via a convertible note loan and providing for Zoom to enter into a series of joint development agreements across various Eden projects.

On 24 September 2008 the Company terminated the Letter of Intent with Zoom Developers Private Ltd due to a breach of the terms of the Letter of Intent by Zoom failing to make the required payment. This enabled Eden to pursue alternative arrangements. At this date Eden was placed into voluntary suspension whilst the directors alternatives for funding the company by either a capital raising and/or sale of asset/s. Immediately upon a funding arrangement being successfully negotiated, Eden will apply for quotation on the Australian Securities Exchange.

On 17 October 2008, due to the current difficult economic environment, after assessing the priorities for the various hydrogen projects and their cash flow requirements, after considering a range of refinancing alternatives following the default by Zoom Developers Ltd in providing finance as agreed, the directors resolved to try to sell the businesses of HyRadix, Eden Cryogenics and CTS which will reduce the cash outflow by approximately 60%. Whilst these businesses have great potential, this decision will enable Eden to retain and focus on its core projects, being its Hythane® project and South Wales Coal Bed Methane project.

On 27 October 2008 Eden entered into a conditional agreement to sell the businesses of HyRadix, Eden Cryogenics and CTS to a listed Australian public company for listed shares having a value of approximately $2 million. This agreement is conditional upon certain matters which must be satisfied by 30 November 2008, at which time full details will be announced.

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 group, the results of those operations, or the state of affairs of the 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 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.

Information on Directors

Gregory H 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 3,163,675 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 H 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 3,163,675 ordinary shares
Directorships held in other listed entities	Current director of Tasman Resources NL since April 2003. Current director of Fission Energy Limited since March 2006.
Guy T Le Page	Non-Executive
Qualifications	**B.A., B.Sc. (Hons).,M.B.A., FINSIA., MAusIMM**
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 Tasman Resources NL since February 2001. Current director of Fission Energy Limited since March 2006.
Gregory J Egan	Non-Executive (Resigned September 2008)
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.
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

DIRECTORS' REPORT

Andrew Leibovitch	Non-Executive
Qualifications	**ACA**
Experience	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 immigrating to Australia and working for Coopers & Lybrand in Perth.
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	Transerv Australia Ltd (ASX:TSV)

Richard J Beresford	Non-Executive
Qualifications	**FAICD FAIE**
Experience	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) Green Rock Energy Limited (ASX:GRK)

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:

- All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits and options.

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.

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 - 2008

Key Management Person	Short-term Benefits				Post-Employment Benefits	Other Long Term Benefits	Share- based Payment		Total	Performance Related
	Salary and Fees	Cash profit share	Non-cash benefit	Other	Superannuation	Other	Equity	Options		
	$	$	$	$	$	$	$	$	$	%
Gregory H Solomon	150,000	-	-	-	13,500	-	-	-	163,500	-
Douglas H Solomon	24,000	-	-	-	2,160	-	-	-	26,160	-
Gregory J Egan	317,418	-	14,851	-	12,891	-	-	-	345,160	-
Guy T Le Page	24,000	-	-	-	2,160	-	-	-	26,160	-
Andrew Leibovitch	24,000	-	-	-	-	-	-	-	24,000	-
Richard J Beresford	24,000	-	-	-	-	-	-	-	24,000	-
Roger W Marmaro	270,370	-	14,854	-	15,007	-	246,980	119,500	666,711	-
Graham M Jeffress	64,211	-	-	-	-	-	-	-	64,211	-
Steve Hensley	128,607	-	2,317	-	6,430	-	20,000	-	157,354	-
Robert L Gray Jr	246,030	-	2,317	2,237	12,302	-	-	-	262,886	-
Aaron P Gates	(a)	-	-	-	-	-	-	-	-	-
	1,272,636	-	34,339	2,237	64,450	-	266,980	119,500	1,760,142	-

Key Management Personnel Remuneration - 2007

Key Management Person	Short-term Benefits				Post-Employment Benefits	Other Long Term Benefits	Share-based Payments		Total	Performance Related
	Salary and Fees	Cash profit share	Non-cash benefit	Other	Superannuation	Other	Equity	Options		
	$	$	$	$	$	$	$	$	$	%
Gregory H Solomon	150,000	-	-	-	13,500	-	-	-	163,500	-
Douglas H Solomon	24,000	-	-	-	2,160	-	-	-	26,160	-
Gregory J Egan	279,962	-	18,986	-	18,859	-	-	-	317,807	-
Guy T Le Page	24,000	-	-	-	2,160	-	-	-	26,160	-
Graham R Bedford	6,533	-	-	-	588	-	-	-	7,121	-
Andrew Leibovitch	3,548	-	-	-	-	-	-	200,775	204,323	-
Richard J Beresford	3,548	-	-	-	-	-	-	200,775	204,323	-
Roger W Marmaro	233,075	-	18,971	-	17,038	-	-	-	269,084	-
Graham M Jeffress	-	-	-	-	-	-	-	166,750	166,750	-
Steve Hensley	138,583	-	7,758	-	7,686	-	-	-	154,027	-
	863,249	-	45,715	-	61,991	-	-	568,300	1,539,255	-

(a) This officer is provided by Princebrook Pty Ltd under the Management services Agreement with the Company.

DIRECTORS' REPORT

Shares Issued on Exercise of Compensation Options

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

Meetings of Directors

During the financial year, 7 meetings of directors were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Gregory H Solomon	7	7
Douglas H Solomon	7	7
Gregory J Egan	7	7
Guy T Le Page	7	7
Andrew Leibovitch	7	7
Richard J Beresford	7	7

Indemnifying Officers or Auditor

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 $32,279.

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
29 April 2008	30 September 2009	$0.20	886,763
25 June 2008	30 June 2011	$0.45	1,227,000
Options Exercised	30 September 2009	$0.20	(340,586)
			97,304,585

During the year ended 30 June 2008, 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, 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:

- 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 2008:

	$
Other	31,954
	31,954

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2008 has been received and can be found on page 24 of the directors' report.

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

Gregory H Solomon

Chairman

Dated this 28th day of October 2008

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AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF EDEN ENERGY LIMITED

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Eden Energy Limited for the year ended 30 June 2008, I declare that, to the best of my knowledge and belief, there have been:

a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b No contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton (WA) Partnership

GRANT THORNTON (WA) Partnership
Chartered Accountants

MJ Hillgrove
Partner
Perth, 28 October 2008

INCOME STATEMENT FOR YEAR ENDED 30 JUNE 2008

	Note	Consolidated Group		Parent Entity	
		2008	2007	2008	2007
		$	$	$	$
Revenue	2a	4,895,188	624,609	426,306	225,143
Other income	2b	-	136,342	-	-
Raw materials and consumables used		(2,134,657)	(446,436)	-	-
Accounting and audit expense		(267,172)	(238,855)	(69,290)	(67,115)
Advertising and marketing expense		(649,844)	(211,112)	-	(30,551)
Contractors expense		(1,541,945)	(215,897)	-	-
Depreciation and amortisation expense		(324,015)	(95,152)	(1,356)	(1,470)
Employee benefits expense		(6,230,655)	(3,997,961)	(365,067)	(1,550,207)
Finance costs		(16,366)	(8,243)	(10,000)	-
Foreign exchange loss		(10,643)	(85,211)	(159,868)	-
Impairment of goodwill		(72,089)	-	-	-
Impairment of investment in subsidiary		-	-	(558,621)	(5,169,680)
Impairment of receivable from controlled entity		-	-	(17,998,938)	(111,608)
Legal and other consultants expense		(730,035)	(539,737)	(153,999)	(363,530)
Research and development expenditure		(771,136)	(558,032)	(38,000)	(47,000)
Rent expense		(394,549)	(150,672)	-	-
Travel and accommodation expense		(1,053,003)	(398,709)	(109,625)	-
Warranty expense		(416,440)	(180,115)	-	-
Other expenses		(1,193,463)	(786,431)	(470,006)	(35,594)
Loss before income tax	3	(10,910,824)	(7,151,612)	(19,508,464)	(7,151,612)
Income tax expense	4	-	-	-	-
Loss for the year		(10,910,824)	(7,151,612)	(19,508,464)	(7,151,612)
Basic earnings per share (cents per share)	7	(6.7523)	(5.6320)		

The accompanying notes form part of these financial statements.

BALANCE SHEET AS AT 30 JUNE 2008

	Note	Consolidated Group		Parent Entity	
		2008	2007	2008	2007
		$	$	$	$
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	8	4,322,973	3,468,418	2,546,945	2,015,258
Trade and other receivables	9	2,198,971	235,275	80,779	23,422
Inventories	10	4,136,948	1,857,667	-	-
Other current assets	11	509,583	180,806	-	-
TOTAL CURRENT ASSETS		11,168,475	5,742,166	2,627,724	2,038,680
NON-CURRENT ASSETS					
Trade and other receivables	9	1,518,648	63,440	9,820,457	10,181,380
Financial assets	12	4,042,419	1,286,599	2,391,845	1,261,157
Property, plant and equipment	15	1,528,716	896,855	2,220	2,681
Intangible assets	16	8,578,080	7,443,665	-	-
Exploration and evaluation	17	848,895	260,628	791,569	260,628
TOTAL NON-CURRENT ASSETS		16,516,758	9,951,187	13,006,091	11,705,846
TOTAL ASSETS		27,685,233	15,693,353	15,633,815	13,744,526
CURRENT LIABILITIES					
Trade and other payables	18	4,189,814	2,163,577	792,629	272,550
Financial liabilities	19	31,456	40,552	-	-
TOTAL CURRENT LIABILITIES		4,221,270	2,204,129	792,629	272,550
NON-CURRENT LIABILITIES					
Trade and other payables	18	630,172	-	-	-
Financial liabilities	19	52,509	17,248	-	-
TOTAL NON-CURRENT LIABILITIES		682,681	17,248	-	-
TOTAL LIABILITIES		4,903,951	2,221,377	792,629	272,550
NET ASSETS		22,781,282	13,471,976	14,841,186	13,471,976
EQUITY					
Issued capital	20	42,123,647	21,445,140	42,123,647	21,445,140
Reserves	21	937,614	1,395,991	1,595,158	1,395,991
Retained earnings		(20,279,979)	(9,369,155)	(28,877,619)	(9,369,155)
TOTAL EQUITY		22,781,282	13,471,976	14,841,186	13,471,976

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2008

Consolidated Group

	Note	Share Capital Ordinary	Share Capital Option Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
		$	$	$	$	$
Balance at 1 July 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
Shares issued during the year		21,530,350	-	-	-	21,530,350
Share issue costs		(851,843)	-	-	-	(851,843)
Translation of foreign controlled entities		-	-	(657,544)	-	(657,544)
Issue of options		-	199,167	-	-	199,167
Loss attributable to members of parent entity		-	-	-	(10,910,824)	(10,910,824)
Balance at 30 June 2008		42,123,647	1,595,158	(657,544)	(20,279,979)	22,781,282

Parent Entity

	Note	Share Capital Ordinary	Share Capital Option Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
		$	$	$	$	$
Balance at 1 July 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
Shares issued during the year		21,530,350	-	-	-	21,530,350
Share issue costs		(851,843)	-	-	-	(851,843)
Issue of options		-	199,167	-	-	199,167
Loss attributable to members of parent entity		-	-	-	(19,508,464)	(19,508,464)
Balance at 30 June 2008		42,123,647	1,595,158	-	(28,877,619)	14,841,186

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT FOR YEAR ENDED 30 JUNE 2008

	Note	Consolidated Group		Parent Entity	
		2008	2007	2008	2007
		$	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		2,675,337	332,148	-	-
Payments to suppliers and employees		(16,265,397)	(7,162,398)	(1,351,490)	(803,325)
Interest received		426,336	227,229	426,307	225,143
Finance costs		-	(8,243)	-	-
Goods and Services Tax refunds		72,473	119,203	31,008	119,203
Net cash provided by (used in) operating activities	25a	(13,091,251)	(6,492,061)	(894,175)	(458,979)
CASH FLOWS FROM INVESTING ACTIVITIES					
Exploration expenditure		(614,650)	(76,959)	(557,324)	(76,959)
Purchase of property, plant and equipment		(1,805,752)	(417,018)	(895)	(4,151)
Development of intangible assets		(1,567,521)	(18,453)	-	-
Loans to controlled entities		-	-	(17,565,801)	(6,994,892)
Repayment of loans from associated entities		-	(268,091)	-	(268,091)
Investment in joint venture		(2,434,600)	(589,763)	(826,287)	(564,321)
Payment for subsidiary, net of cash acquired		-	724,911	-	-
Net cash provided by (used in) investing activities		(6,422,523)	(645,373)	(18,950,307)	(7,908,414)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		20,376,169	3,850,560	20,376,169	3,850,560
Repayment of borrowings		(38,488)	(44,106)	-	-
Repayment of other liabilities		-	(130,941)	-	-
Net cash provided by (used in) financing activities		20,337,681	3,675,513	20,376,169	3,850,560
Net increase (decrease) in cash held		823,907	(3,461,921)	531,687	(4,516,833)
Net increase(decrease) due to foreign exchange movements		30,648	-	-	-
Cash at beginning of financial year		3,468,418	6,930,339	2,015,258	6,532,091
Cash at end of financial year	8	4,322,973	3,468,418	2,546,945	2,015,258

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

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 International Financial Reporting Standards (IFRS) 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.

Going Concern

These financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities the realisation of assets and extinguishment of liabilities in the ordinary course of business.

The ability of the Company and Group to continue to operate as a going concern is dependent upon the Group being able to source additional capital and/or the raising of additional finance or by the sale of non core assets (refer note 28). Should these efforts not be successful, then there is a significant uncertainty whether the entity will continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report was authorised for issue on 28 October 2008 by the board of directors.

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 14 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. **Income Tax (continued)**

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.

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.

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 of 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.

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 year end.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

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.

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 asset is impaired. Impairment losses are recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. **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.

The consolidated group's interests in joint venture entities are brought to account using the equity method of accounting in the consolidated financial statements. The parent entity's interests in joint venture entities are brought to account using the cost method.

j. **Intangibles**

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 have assessed the useful life of the intellectual property and have determined that it has a finite useful life. The intellectual property will be amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

k. **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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k. **Foreign Currency Transactions and Balances (**

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.

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. Intercompany loans are treated as investments for foreign currency translation purposes.

l. **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.

m. **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.

n. **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).

o. **Borrowing Costs**

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

p. **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.

q. **Comparative Figures**

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r. **New accounting standards and interpretations not yet adopted**

The following standards, amendments to standards and interpretations have been identified as those which may impact the Company in the period of initial application. They are available for early adoption at 30 June 2008, but have not been applied in preparing this financial report.

- Revised AASB 101: Presentation of Financial Statements introduces as a financial statement the 'statement of comprehensive income'. The revised standard does not change the recognition, measurement or disclosure of transactions or events that are required by other accounting standards. The revised AASB 101 will become mandatory for the Company's 30 June 2010 financial statements. The company has not yet determined the potential effect of the revised standard on its disclosures.

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.

- Value-in-use is calculated based on the present value of cash flow projections over a five year period.
- The forecast provides for the number of installed stations increasing in the first few years until expected capacity is reached and there after remaining constant, based on projected market penetration.
- Costs have been based on historical amounts adjusted for CPI increase and improvements in margins based on internal efficiencies.
- A 25% discount rate was utilised to recognise inherent risk in the forecasts.
- That Eden will be able to secure suitable funding to complete the project as forecasted.

No impairment has been recognised in respect of intellectual property for the year ended 30 June 2008.

NOTE 2: REVENUE

	Note	Consolidated Group		Parent Entity	
		2008 $	**2007 $**	**2008 $**	**2007 $**
a. Operating activities					
— sale of goods		4,342,227	352,457	-	-
— licence royalties		116,874	44,923	-	-
— interest received		436,087	227,229	426,306	225,143
Total Revenue		4,895,188	624,609	426,306	225,143
b. Other income					
— Discount on acquisition of wholly owned entity		-	136,342	-	-

NOTE 3: LOSS FOR THE YEAR

b. **Significant Revenue and Expenses**

	Note	Consolidated 2008 $	Consolidated 2007 $	Parent 2008 $	Parent 2007 $
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 receivable from controlled entity	(a)	-	-	(17,998,938)	(111,608)
Impairment of investment in subsidiary	(a)	-	-	(558,621)	(5,169,680)

(a) Due to the difficult trading position faced by Eden's US operations, the directors currently do not believe it is probable that these amounts will be recovered and as such have recognised a provision in relation to investments in and receivables from these operations.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 4: INCOME TAX EXPENSE

		Note	Consolidated Group		Parent Entity	
			2008 $	2007 $	2008 $	2007 $
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% (2007: 30%)		(3,273,247)	(2,145,484)	(5,852,539)	(2,145,484)
			(3,273,247)	(2,145,484)	(5,852,539)	(2,145,484)
	Add:					
	Tax effect of:					
	— other non-allowable items		69	147	69	147
	— Shares and options expensed during year		189,240	410,916	-	410,916
	— Deferred tax assets not brought to account		3,083,938	1,734,421	5,852,470	1,734,421
	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 conditions for deductibility set out in Note 1b occur					
	— Net deferred tax assets/(liabilities)		(638,690)	50,780	7,796,763	2,187,739
	— tax losses:		7,642,411	3,410,803	1,042,991	554,077
			7,003,721	3,461,583	8,839,754	2,741,816

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 H Solomon	Executive Chairman
Douglas H Solomon	Non-Executive Director
Guy T Le Page	Non-Executive Director
Gregory J Egan	Non-Executive Director and CTO Eden Hydrogen (Resigned Sep 2008)
Andrew Leibovitch	Non-Executive Director
Richard J Beresford	Non-Executive Director
Robert L Gray Jr	CEO – Eden Hydrogen
Roger W Marmaro	President Global Operations – Eden Hydrogen
Steve Hensley	President – Eden Cryogenics LLC
Aaron P Gates	Chief Financial Officer (Appointed May 2008)
Graham M Jeffress	Geologist (Resigned April 2008)

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

b. Options and Rights Holdings

Number of Options Held by Key Management Personnel

	Balance 1.7.2007	Granted as Compen-sation	Options Exer-cised	Net Change* Other	Balance 30.6.2008	Total Vested 30.6.2008	Total Exercisable 30.6.2008	Total Unexer-cisable 30.6.2008
Gregory H Solomon	3,163,675	-	-	-	3,163,675	3,163,675	3,163,675	-
Douglas H Solomon	3,163,675	-	-	-	3,163,675	3,163,675	3,163,675	-
Guy T Le Page	821,809	-	-	-	821,809	821,809	821,809	-
Gregory J Egan	6,579,100	-	-	-	6,579,100	6,579,100	6,579,100	-
Andrew Leibovitch	750,000	-	-	-	750,000	750,000	750,000	-
Richard J Beresford	750,000	-	-	-	750,000	750,000	750,000	-
Robert L Gray Jr	125,000	-	-	-	125,000	125,000	125,000	
Roger W Marmaro	1,096,617	532,058	-	-	1,628,675	1,628,675	1,628,675	-
Steve Hensley	10,000	-	-	-	10,000	10,000	10,000	-
Aaron Gates	-	-	-	-	-	-	-	-
Graham M Jeffress	500,000	-	-	-	500,000	500,000	500,000	-
Total	16,959,876	532,058	-	-	17,491,934	17,491,934	17,491,934	-

* 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 1.7.2007	Received as Compen-sation	Options Exercised	Net Change* Other	Balance 30.6.2008
Gregory H Solomon	3,181,302	-	-	-	3,181,302
Douglas H Solomon	3,001,302	-	-	-	3,001,302
Guy T Le Page	-	-	-	-	-
Gregory J Egan	7,635,005	-	-	-	7,635,005
Andrew Leibovitch	85,000	-	-		85,000
Richard J Beresford	-	-	-	-	-
Robert L Gray Jr	-	-	-	-	-
Roger W Marmaro	1,278,701	617,450	-	-	1,896,151
Steve Hensley	220,000	50,000	-	-	270,000
Aaron P Gates	-	-	-	-	-
Graham M Jeffress	-	-	-	-	-
Total	15,401,310	667,450	-	-	16,068,760

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

NOTE 6: AUDITORS' REMUNERATION

	Note	Consolidated Group		Parent Entity	
		2008 $	2007 $	2008 $	2007 $
Remuneration of the auditor of the parent entity for:					
— auditing or reviewing the financial report		35,845	28,615	35,845	28,615
— Other		31,945	38,500	31,945	38,500

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated Group		Parent Entity	
		2008 $	2007 $	2008 $	2007 $
NOTE 7: EARNINGS PER SHARE					
a. Reconciliation of earnings to profit or loss					
Profit/(loss)		(10,910,824)	(7,151,612)		
Earnings used to calculate basic EPS		(10,910,824)	(7,151,612)		
b. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS		161,587,900	126,982,510		

The effect of share options on issue are not potentially dilutive shares.

	Note	2008 $	2007 $	2008 $	2007 $
NOTE 8: CASH AND CASH EQUIVALENTS					
Cash at bank and in hand		4,322,973	3,185,633	2,546,945	2,015,258
Short-term bank deposits		-	282,785	-	-
		4,322,973	3,468,418	2,546,945	2,015,258
Reconciliation of cash					
Cash at the end of the financial year as shown in the cash flow statement is reconciled to the balance sheet as follows:					
Cash and cash equivalents		4,322,973	3,185,633	2,546,945	2,015,258
Short-term bank deposits		-	282,785	-	-
		4,322,973	3,468,418	2,546,945	2,015,258
NOTE 9: TRADE AND OTHER RECEIVABLES					
CURRENT					
Trade receivables		1,769,069	153,546	41,616	-
Other receivables		384,935	43,361	39,163	23,422
Receivable from key management personnel	9a	44,967	38,368	-	-
		2,198,971	235,275	80,779	23,422
NON-CURRENT					
Amounts receivable from:					
— wholly-owned subsidiaries		-	-	27,709,395	10,242,988
— Less: provision for impairment		-	-	(17,998,938)	(111,608)
		-	-	9,710,457	10,131,380
Other receivables		1,518,648	63,440	110,000	50,000
		1,518,648	63,440	9,820,457	10,181,380

a. Key Management Personnel Loans

	Balance at Beginning of year $	Balance at End of Year $	Interest Charged $	Interest not Charged $	Provision for Impairment $	Number of Individuals No.
Key Management Personnel						
2008	36,368	44,967	-	-	-	1*
2007	36,368	36,368	-	-	-	1*

* - This loan is offset by accrued directors fees of $57,385 (2007: $33,385), it is expected to be settled in the near future as the director is arranging an Australian tax file number.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 10: INVENTORIES

	Note	Consolidated Group		Parent Entity	
		2007 $	2008 $	2008 $	2007 $
CURRENT					
At cost		4,136,948	1,857,667	-	-
		4,136,948	1,857,667	-	-

NOTE 11: OTHER CURRENT ASSETS

Prepayments	509,583	180,806	-	-
	509,583	180,806	-	-

NOTE 12: OTHER FINANCIAL ASSETS

a. **Available-for-sale Financial Assets Comprise**

	Note				
Unlisted investments, at cost					
— interest in joint venture operations	13	4,042,419	1,286,599	2,391,845	1,261,157
		4,042,419	1,286,599	2,391,845	1,261,157
Unlisted investments, at recoverable amount					
— Shares in controlled entities, at cost		-	-	7,316,019	6,645,790
Less: Impairment Provision		-	-	(7,316,019)	(6,645,790)
		-	-		-
Total available-for-sale financial assets		4,042,419	1,286,599	2,391,845	1,261,157

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.

NOTE 13: JOINT VENTURE

a. **Interest in Joint Venture Operations**

The Consolidated Group's share of cost incurred in respect of the joint venture is:

NON-CURRENT ASSETS				
Exploration expenditure	4,042,419	1,286,599	2,391,845	1,261,157
Total non-current assets	4,042,419	1,286,599	2,391,845	1,261,157
Net interest in joint venture operations	4,042,419	1,286,599	2,391,845	1,261,157

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

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 14: CONTROLLED ENTITIES

a. Controlled Entities

Controlled Entities	Country of Incorporation	Percentage Owned (%)* 2008	2007
Parent Entity:			
Eden Energy Limited	Australia		
Subsidiaries of Eden Energy Limited:			
Eden Innovations Limited	Ireland	100	100
Eden Energy (UK) Limited	United Kingdom	100	100
Brehon Far East Pte Ltd	Singapore	100	100
Eden Cryogenics LLC	United States of America	100	100
Hythane Company LLC	United States of America	100	100
HyRadix Inc	United States of America	100	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

No entities were acquired during the year.

c. Disposal of Controlled Entities

No entities were disposed of during the year.

NOTE 15: PROPERTY, PLANT AND EQUIPMENT

	Note	Consolidated Group 2008 $	Consolidated Group 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Plant and equipment:					
At cost		2,869,194	1,937,313	5,046	4,151
Accumulated depreciation		(1,378,258)	(1,076,618)	(2,826)	(1,470)
Total plant and equipment		1,490,936	860,695	2,220	2,681
Leasehold improvements:					
At cost		63,402	42,069	-	-
Accumulated depreciation		(25,622)	(5,909)	-	-
Total leasehold improvements		37,780	36,160	-	-
Total property, plant & equipment		1,528,716	896,855	2,220	2,681
Movements in Carrying Amounts					
Plant & Equipment					
Balance at the beginning of year		860,695	297,080	2,681	-
Additions from acquisition of subsidiary		-	228,689	-	-
Additions		934,544	424,168	895	4.151
Depreciation expense		(304,303)	(89,242)	(1,356)	(1,470)
Carrying amount at the end of year		1,490,936	860,695	2,220	2,681
Leasehold improvements					
Balance at the beginning of year		36,160	-	-	-
Additions		21,332	42,069	-	-
Depreciation expense		(19,712)	(5,909)	-	-
Carrying amount at the end of year		37,780	36,160	-	-

The total impairment loss recognised in the income statement during the prior period amounted to Nil (2007: Nil) and is separately presented in the income statement as ‘impairment of property plant and equipment’.

NOTE 16: INTANGIBLE ASSETS

	Note	Consolidated Group		Parent Entity	
		2008 $	2007 $	2008 $	2007 $
Intellectual property		8,650,169	7,443,665	-	-
Accumulated impaired losses		(72,089)	-	-	-
Net carrying value		8,578,080	7,443,665	-	-
Balance at the beginning of the year		7,443,665	7,443,665	-	-
Additions – internal		1,134,415	-	-	-
Additions – acquired through business combinations		72,089	-	-	-
Impairment		(72,089)	-	-	-
Amortisation expense		-	-	-	-
Carrying amount at the end of the year		8,578,080	7,443,665	-	-

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.

NOTE 17: EXPLORATION AND EVALUATION

	Consolidated 2008	Consolidated 2007	Parent 2008	Parent 2007
Balance at the beginning of the year	260,628	176,635	260,628	176,635
Exploration expenditure during the year	588,267	83,993	530,941	83,993
Impairment	-	-	-	-
Balance at the end of the year	848,895	260,628	791,569	260,628

Recoverability of the carrying amount of exploration assets is dependent on the successful exploration and sale of geothermal energy. Capitalised costs amounting to $614,650 (2007: $76,959) have been included in cash flows from investing activities in the cash flow statement for the consolidated group.

NOTE 18: TRADE AND OTHER PAYABLES

	Consolidated 2008	Consolidated 2007	Parent 2008	Parent 2007
CURRENT				
Trade payables	2,284,723	631,761	612,369	169,141
Other payables and accrued expenses	1,548,611	1,203,446	180,260	103,409
Deferred revenue	356,480	328,370	-	-
	4,189,814	2,163,577	792,629	272,550
NON-CURRENT				
Deferred revenue	630,172	-	-	-
	630,172	-	-	-

NOTE 19: FINANCIAL LIABILITIES

	Note	Consolidated 2008	Consolidated 2007	Parent 2008	Parent 2007
CURRENT					
Unsecured liabilities					
Note payable		16,206	-	-	-
Lease liability	21	15,250	40,552	-	-
		31,456	40,552	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated Group		Parent Entity	
		2008 $	2007 $	2008 $	2007 $
NON-CURRENT					
Unsecured liabilities					
Note payable		52,509	-	-	-
Lease liability	22	-	17,248	-	-
		52,509	17,248	-	-

NOTE 20: ISSUED CAPITAL

	Consolidated Group 2008 $	Consolidated Group 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
180,441,339 (2007: 135,158,179) fully paid ordinary shares	42,123,647	21,445,140	42,123,647	21,445,140
	42,123,647	21,445,140	42,123,647	21,445,140

		2008 No.	2007 No.
a.	**Ordinary shares**		
	At the beginning of reporting period	135,158,179	122,329,993
	Shares issued – prior year	-	12,828,186
	Shares issued during the year		
	— 23 July 2007	23,330,334	-
	— 3 October 2007	100,000	-
	— 13 January 2008	8,163,157	-
	— 29 April 2008	1,079,083	-
	— 17 June 2008	10,157,500	-
	— 23 June 2008	2,112,500	-
	— Options exercised at various dates	340,586	-
	At reporting date	180,441,339	135,158,179

i. The ordinary shares on issue have no par value and there is no authorised share capital.

ii. On 23 July 2007 the company issued 23,330,334 ordinary shares to institutions and sophisticated investors at $0.60 per share to raise working capital.

iv. On 3 October 2007 and 29 April 2008 the company issued 100,000 and 1,079,083 ordinary shares to employees as part of an incentive scheme under employment contracts.

iii. On 13 January 2008 the company issued 8,163,157 ordinary shares to institutions and sophisticated investors at $0.38 per share to raise working capital.

iv. On 17 June and 23 June 2008 the company issued 10,157,500 and 2,112,500 ordinary shares respectively to institutions and sophisticated investors at $0.32 per share to raise working capital.

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.

		2008 No.	2007 No.
b.	**Options**		
	At the beginning of reporting period	95,531,408	86,853,165
	Options issued – prior year		8,900,000
	Options exercised – prior year		(221,757)
	Options exercised during the year	(340,586)	-
	Options issued during the year		
	— 29 April 2008	886,763	-
	— 25 June 2008	1,227,000	-
	At reporting date	97,304,585	95,531,408

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 20: ISSUED CAPITAL (CONTINUED)

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 27 Share-based Payments.

ii. For information relating to share options issued to key management personnel during the financial year, refer to Note 27 Share-based Payments.

c. Capital Management

Management controls the working capital of the Company in order to maximise the return to shareholders and ensure that the Company can fund its operations and continue as a going concern. Management effectively manages the Company's capital by assessing the Company's financial risks and adjusting its capital structure in responses to changes in these risks and in the market. These responses include the management of expenditure and debt levels, distributions to shareholders and share and option issues.

There have been no changes in the strategy adopted by management to control the capital of the Company since the prior year.

NOTE 21: RESERVES

a. Option Reserve

	Note	Consolidated Group		Parent Entity	
		2008 $	2007 $	2008 $	2007 $
At the beginning of reporting period		1,395,991	26,270	1,395,991	26,270
Employee share options issued during the year		199,167	1,369,721	199,167	1,369,721
At reporting date		1,595,158	1,395,991	1,595,158	1,395,991
b. Foreign Currency Translation Reserve					
At the beginning of reporting period		-	-	-	-
Translation of foreign controlled entities		(657,544)	-	-	-
At reporting date		(657,544)	-	-	-
Total Reserves		937,614	1,395,991	1,595,158	1,395,991

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

The foreign currency translation reserve records exchange differences arising on the translation of a foreign controlled subsidiary.

NOTE 22: CAPITAL AND LEASING COMMITMENTS

a. Finance Lease Commitments

	Consolidated 2008	Consolidated 2007	Parent 2008	Parent 2007
Payable — minimum lease payments				
— not later than 12 months	15,690	44,001	-	-
— between 12 months and 5 years	-	21,280	-	-
Minimum lease payments	15,690	65,281	-	-
Less future finance charges	(450)	(7,481)	-	-
Present value of minimum lease payments	15,240	57,800	-	-

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 22: CAPITAL AND LEASING COMMITMENTS (CONTINUED)

c. Joint Ventures

Eden Energy Limited is committed 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.

NOTE 23: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Eden Cryogenics, LLC ("Eden Cryo") is currently a defendant in a civil litigation, in which it is alleged that it and two of its employees/ independent agents misappropriated trade secrets and infringed certain copyrights. Eden Cryo is aggressively defending the claims. The case is in its early stages and it is unclear on likely outcome.

The Directors are not aware of any other contingent assets or contingent liabilities as at 30 June 2008.

NOTE 24: 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 India.

Primary reporting — Geographical segments

	Australia	United States	United Kingdom	India	Eliminations	Consolidated Group
	$	$	$	$	$	$
2008						
Sales Revenue	-	5,596,102	-	-	(186,041)	5,410,061
Other income	426,336	126,624	-	-	-	552,960
Total segment revenue	426,336	5,722,726	-	-	(186,041)	5,963,021
Segment Result	(1,421,730)	(6,528,916)	(3,795,900)	(102,767)	1,713,715	(10,135,598)
Finance costs						-
Loss before income tax						(10,135,598)
Income tax expense						-
Loss after income tax						(10,135,598)
Segment Assets	15,633,815	11,004,371	22,460,204	81,957	(20,719,889)	28,460,458
Segment Liabilities	792,629	22,162,309	26,548,491	9,594	(44,609,072)	4,903,951
Net Assets	14,841,186	(11,157,938)	(4,088,287)	72,363	24,135,392	23,802,716
Purchase of non-current assets	1,384,606	2,588,016	1,608,313	-	-	5,580,935
Depreciation and amortisation	1,356	338,201	15,174	-	-	354,731
Impairment of investments and receivables	18,557,559	-	516,047	-	(19,073,606)	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 24: SEGMENT REPORTING (CONTINUED)

	Australia	United States	United Kingdom	India	Eliminations	Consolidated Group
	$	$	$	$	$	$
2007						
Sales Revenue	-	397,380	-	-	-	397,380
Other income	225,143	507,706	-	-	(505,620)	227.229
Total segment revenue	225,143	905,086	-	-	(505,620)	624,609
Segment Result	(1,870,537)	(3,724,979)	(1,679,457)	-	131,604	(7,143,369)
Finance costs						(8,243)
Loss before income tax						(7,151,612)
Income tax expense						-
Loss after income tax						(7,151,612)
Segment Assets	10,254,280	4,448,685	962,867	-	27,521	15,693,353
Segment Liabilities	272,551	1,912,326	36,500	-	-	2,221,377
Net Assets	9,981,729	2,536,359	926,367	-	27,521	13,471,976
Purchase of non-current assets	(541,046)	627,076	1,265,865	-	-	1,351,895
Depreciation and amortisation	1,470	72,948	20,734	-	-	95,152
Impairment of investments and receivables	5,281,288	-	-	-	(5,281,288)	-

NOTE 25: CASH FLOW INFORMATION

	Consolidated Group		Parent Entity	
	2008 $	**2007 $**	**2008 $**	**2007 $**
Reconciliation of Cash Flow from Operations with Loss after Income Tax				
Loss after income tax	(10,910,824)	(7,151,612)	(19,508,464)	(7,151,612)
Cash flows excluded from loss attributable to operating activities				
Non-cash flows in loss				
Depreciation and amortisation	354,731	95,151	1,356	1,470
Employee benefits	630,800	1,369,721	-	1,369,721
Discount on acquisition of wholly owned entity	-	(136,342)	-	-
Operating items paid by controlled entities	-	-	-	(84,374)
Foreign exchange loss	10,643	-	159,868	
Impairment of goodwill	72,089			
Impairment or receivable from controlled entity	-	-	17,998,938	111,608
Impairment of investment in controlled entity	-	-	558,621	5,169,680
Changes in assets and liabilities,				
(Increase)/decrease in trade and other receivables*	(1,963,696)	(62,356)	(57,357)	44,745
(Increase)/decrease in inventories	(2,279,282)	(271,003)	-	-
Increase/(decrease) in trade payables and accruals*	994,288	(335,620)	(47,137)	79,783
Cash flow from operations	(13,091,251)	(6,492,061)	(894,175)	(458,979)

* - Net of non operating movements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 26: RELATED PARTY TRANSACTIONS

	Consolidated Group		Parent Entity	
	2008 $	2007 $	2008 $	2007 $
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.	127,321	126,000	127,321	126,000
Legal fees paid to Solomon Brothers, a firm of which Mr GH Solomon and Mr DH Solomon are partners.	11,430	62,892	11,430	62,892
Commissions on placement of 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
Consulting fees paid to Cascade Corporation Pty Ltd, a company in which Mr A Leibovitch has an interest	47,700	-	47,700	-
Consulting fees paid to Clearer Sky Pty Ltd, a company in which R Beresford has an interest	17,465	-	17,465	-
Loan to Mr G Egan on interest-free terms, repayable on demand.	44,967	38,368	-	-

NOTE 27: SHARE-BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2008:

The company also operates an Employee Share Scheme. When issued, the shares carry full dividend and voting rights. On 29 April 2008, 886,763 share options were granted to employees under this scheme.

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.

	2008		2007	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding at the beginning of the year	6,949,043	0.479	3,692,660	0.20
Granted	886,763	0.20	4,900,000	0.595
Transferred	-	-	(1,643,617)	-
Outstanding at year-end	7,835,806	0.402	6,949,043	0.479
Exercisable at year-end	7,835,806	0.402	6,949,043	0.479

The options outstanding at 30 June 2008 had a weighted average exercise price of $0.402, with exercise prices ranging from $0.20 to $0.70 and a weighted average remaining contractual life of 1.7 years.

The weighted average fair value of the options granted during the year was $0.2246.

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

Weighted average exercise price	$0.20
Weighted average life of the option	1.7 years
Underlying share price	$0.40
Expected share price volatility	50%
Risk free interest rate	6.50%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 27: SHARE-BASED PAYMENTS (CONTINUED)

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.

No options were exercised during the year ended 30 June 2008. Included under employee benefits expense in the income statement is $199,167 (2007: $1,369,721). The fair value of the options was determined using the Black-Scholes option valuation methodology.

NOTE 28: EVENTS AFTER THE BALANCE SHEET DATE

On 11 August 2008 the Company signed a Letter of intent with Zoom Developers Private Ltd whereby Zoom will provide with short-term working capital of A$5 million via a convertible note loan and providing for Zoom to enter into a series of joint development agreements across various Eden projects.

On 24 September 2008 the Company terminated the Letter of Intent with Zoom Developers Private Ltd due to a breach of the terms of the Letter of Intent by Zoom failing to make the required payment. This enabled Eden to pursue alternative arrangements.

On 17 October 2008, due to the current difficult economic environment, after assessing the priorities for the various hydrogen projects and their cash flow requirements, the directors, after considering a range of refinancing alternatives following the default by Zoom Developers Ltd in providing finance as agreed, the directors resolved to try to sell the businesses of HyRadix, Eden Cryogenics and CTS which will reduce the cash outflow by approximately 60%. Whilst these businesses have great potential, this decision will enable Eden to retain and focus on its core projects, being its Hythane® project and South Wales Coal Bed Methane project.

On 27 October 2008 Eden entered into a conditional agreement to sell the businesses of HyRadix, Eden Cryogenics and CTS to a listed Australian public company for listed shares having a value of approximately $2 million. This agreement is conditional upon certain matters which must be satisfied by 30 November 2008, at which time full details will be announced.

The financial affect of the businesses of HyRadix, Eden Cryogenics and CTS at 30 June 2008 was as follows:

	HyRadix	Eden Cryogenics	CTS	Total
	$	$	$	$
Total assets	7,445,099	1,534,122	498,675	9,477,896
Total liabilities	(11,518,275)	(3,510,045)	(1,096,074)	(16,124,394)
Net assets	(4,073,176)	(1,975,923)	(597,399)	(6,646,498)
Total revenue	1,940,756	1,335,203	77,975	3,353,934
Total expenses	(5,406,208)	(2,635,075)	(1,006,057)	(9,047,340)
Net profit/(loss)	(3,465,452)	(1,299,872)	(928,082)	(5,693,406)
Net cash flows provided by (used in) operating activities	(5,438,426)	(1,552,246)	(900,775)	(7,891,447)
Net cash flows provided by (used in) investing activities	(1,619,445)	(313,926)	(234,363)	(2,167,734)

NOTE 29: FINANCIAL INSTRUMENTS

a. Financial Risk Exposures and Management

The main risks the company is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

i. Interest Rate Risk

Interest rate risk is managed by investing cash with major institutions in both cash on deposit and term deposit accounts. At 30 June 2008, the effect on the loss and equity as a result of a 2% increase in the interest rate, with all other variables remaining constant would be a decrease in loss by $120,000 (2007:$1,000) and an increase in equity by $120,000 (2007:$1,000). The effect on the loss and equity as a result of a 2% decrease in the interest rate, with all other variables remaining constant would be a increase in loss by $120,000 (2007:$1,000) and an decrease in equity by $120,000 (2007:$1,000).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 29: FINANCIAL INSTRUMENTS (CONTINUED)

a. Financial Risk Exposures and Management (Continued)

ii. Liquidity Risk

The company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate funding is maintained. The company's operations require it to raise capital on an on-going basis to fund its planned exploration program and to commercialise its tenement assets. If the company does not raise capital in the short term, it can continue as a going concern by reducing planned but not committed exploration expenditure until funding is available and/or entering into joint venture arrangements where exploration is funded by the joint venture partner.

The remaining contractual maturities of the Group and Parent entities financial liabilities are:

	Consolidated Group		Parent Entity	
	2008 $	2007 $	2008 $	2007 $
12 months or less	3,864,790	1,875,759	792,629	272,550
1 year or more	52,509	17,248	-	-
Total	3,917,299	1,893,007	792,629	272,550

iii. Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a financial loss to the company. The company has adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

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

b. Financial Instruments

i. **Net Fair Values**

The aggregate net fair values of:

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

ii. **Interest Rate Risk**

The company's exposure to interest rate risk and effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate		Floating Interest Rate		Non Interest Bearing		Total	
	2008	2007	2008 $	2007 $	2008 $	2007 $	2008 $	2007 $
Financial Assets:								
Cash and cash equivalents	7.07%	3,42%	2,544,771	2,523,490	1,778,207	944,928	4,322,978	3,468,418
Trade and other receivables	-	-	-	-	2,039,682	235,275	2,039,682	235,275
Other assets	-	-	-	-	509,583	180,806	509,583	180,806
Investments	-	-	-	-	4,042,419	1,286,599	4,042,419	1,286,599
Total Financial Assets			2,544,771	2,523,490	8,369,891	2,647,608	10,914,662	5,171,098
Financial Liabilities:								
Trade and other payables	-	-	-	-	3,924,747	2,163,577	3,924,747	2,163,577
Lease liabilities	7.76	7.76	15,240	57,800	-	-	15,240	57,800
Total Financial Liabilities			15,240	57,800	3,924,747	2,163,577	3,939,987	2,221,377

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

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 principle 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 2008 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.

G H Solomon
Director

Dated this 28th day of October 2008

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INDEPENDENT AUDITOR'S REPORT

To the members of Eden Energy Limited

Report on the Financial Report

We have audited the accompanying financial report of Eden Energy Limited and controlled entities (the Group) which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial 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.

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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial 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 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.

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

GrantThornton

Electronic Presentation of Audited Financial Report

This auditor's report relates to the financial report of Eden Energy Limited for the year ended 30 June 2008 included on Eden Energy Limited's web site. The company's directors are responsible for the integrity of the Eden Energy Limited's web site. We have not been engaged to report on the integrity of the Eden Energy Limited's web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site

Independence

In conducting our audit, we complied with applicable independence requirements of the *Corporations Act 2001*.

Basis for Qualified Auditor's Opinion

As disclosed in Notes 9 and 16 to the financial statements, the company and consolidated entity have, within non-current assets, receivables from subsidiaries and intellectual property with carrying values as at 30 June 2008 of $9,710,457 and $8,578,080 respectively.

The Directors have prepared value in use calculations in assessing the recoverable amounts of these assets on the basis of the key estimates as outlined in Note 1 to the financial statements. One of the key estimates is that the company will be able to source additional capital injections in the near future to enable the further development of the intellectual property. We have not been provided with adequate documentation as to the availability of these funds at this date. Without these funds, it will not be possible for the company to continue with the development or commercialise the intellectual property and achieve the projected cash flows.

We are therefore are unable to satisfy ourselves as to the carrying value of the investments in subsidiaries and intellectual property of $9,710,457 and $8,578,080 respectively.

Qualified Auditor's Opinion

In our opinion except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the recoverable amounts of the investments in subsidiaries and intellectual property:

(a) 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 consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

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

.

(b) the consolidated financial statements and notes also comply with International Financial Reporting Standards.

Material uncertainty regarding continuation as a going concern

Attention to is drawn to the following matter.

As a result of the matters described in Note 1 "Going Concern" in the financial report. There is the existence of a material uncertainty which may cast significant doubt about the parent company and the consolidated entity's ability to continue as a going concern and whether they will realise their assets, extinguish their liabilities and meet their commitments in the normal course of business and continue the development of intellectual property as described in Note 16 at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Eden Energy Ltd for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

Grant Thornton (WA) Partnership

GRANT THORNTON (WA) Partnership
Chartered Accountants

M J Hillgrove
Partner

Perth, 28 October 2008

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	67
1,001 – 5,000	454
5,001 – 10,000	423
10,001 – 100,000	887
100,001 – and over	122
	1,953

b. The number of shareholdings held in less than marketable parcels is 267.

c. The names of the substantial shareholders listed in the holding company's register as at 30 September 2008 are:

Shareholder	Number Ordinary	Percentage %
Noble Energy Limited	35,121,988	19.464%
Ganesha Nominees Pty Ltd	21,397,154	11.585%
National Nominees Pty Ltd	11,477,063	6.361%

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	33,368,645	18.493%
2.	Ganesha Nominees Pty Ltd	21,397,154	11.858%
3.	National Nominees Pty Ltd	11,477,063	6.361%
4.	Citicorp Nominees Pty Ltd	10,945,536	6.066%
5.	Bond Street Custodians Limited <Macquarie Smaller Co's A/C>	10,177,074	5.640%
6.	St Peter Port Capital Ltd	7,600,000	4.212%
7.	Top Energy Pty Ltd	4,352,846	2.412%
8.	Arkenstone Pty Ltd	3,181,299	1.763%
9.	March Bells Pty Ltd	3,001,302	1.663%
10.	Coote Energy Pty Ltd	2,000,000	1.108%
11.	Harbour Views No 1 Pty Ltd	1,832,401	1.016%
12.	Noble Energy Ltd	1,753,343	0.972%
13	ANZ Nominees Pty Ltd	1,721,131	0.954%
14.	Mr Roger Marmaro	1,490,390	0.826%
15.	K & V Lamb Pty Ltd	1,206,092	0.668%
16.	Mr Justin Fulton	1,034,380	0.573%
17.	Mr David Alexander Giles	954,795	0.529%
18.	UBS Wealth Management	878,966	0.487%
19.	Elinora Investments Pty Ltd	780,501	0.433%
20.	RBC Dexia Investor Services Australia Nominees Pty Ltd	770,153	0.427%
		119,923,071	66.461%

Unquoted Securities

Options over Unissued Shares

A total of 10,105,000 options are on issue. 5,227,000 options are on issue to 37 holders of ordinary securities. 4,878,000 options are on issue to 5 directors and 35 employees under the Eden Energy Limited employee option plan.