



ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2009

EDEN ENERGY LTD
& CONTROLLED ENTITIES

ABN 58 109 200 900

CONTENTS

| | |
|---|-----------|
| Highlights | 3 |
| Corporate Directory | 4 |
| Review of Operations | 5 |
| Corporate Governance Statement | 13 |
| Directors' Report | 17 |
| Auditors' Independence Declaration | 23 |
| Income Statement | 24 |
| Balance Sheet | 25 |
| Statement of Changes in Equity | 26 |
| Cash Flow Statement | 27 |
| Notes to the Financial Statements | 28 |
| Director's Declaration | 47 |
| Independent Auditor's Report | 48 |
| Additional Information for Listed Public Companies | 51 |

HIGHLIGHTS

Corporate

- ❖ Cash of A\$7.8m (plus the supply of a hydrogen reformer) was raised from the sale of selected US hydrogen assets and portion of Eden's UK coal seam methane assets.
- ❖ A\$6.9m cash has been received to date, with balance of \$0.9million cash plus receipt of a hydrogen reformer due over next five months.

Hydrogen / Hythane® Projects

India

- ❖ First public Hythane® refuelling station, built by Hythane Co for Indian Oil Corporation, completed in January 2009.
- ❖ First Hythane® bus demonstration project scheduled for 2010 in Gujarat. Letter of Intent received from Gujarat State Petroleum for this project which will utilise the hydrogen reformer to be received as part of the sale of HyRadix.
- ❖ Preliminary approval received for second Hythane® bus demonstration project in Mumbai

USA

- ❖ San Francisco Airport Hythane® Project underway, with first hydrogen and Hythane stations on target to become operational by mid 2010
- ❖ Funding approved for 27 Hythane® fuelled vehicles
- ❖ Applications have been lodged for additional funding to enable Eden to develop a Hythane® station at San Francisco Airport, but some additional funding is required.
- ❖ First US Hythane calibrated engine receives Californian Air Resources Board certification allowing commercial sales to commence
- ❖ Initial US marketing attracts strong interest from dealers of a major engine manufacturer in Hythane Company's OptiBlend Dual Fuel Kit

Pyrolysis Project – University of Queensland

- ❖ Eden has taken a licence from UQ over its 50% share in the patents and intellectual property developed under this project. This technology produces hydrogen and solid carbon (including carbon nanotubes) which can be used in place of materials such as steel and aluminium, in lieu of producing carbon dioxide.
- ❖ A joint venture for up-scaling new pyrolysis technology to separate methane into hydrogen and solid carbon is under negotiation.

United Kingdom Coal Bed Methane / Natural Gas

- ❖ Eden has completed the sale of a 45% interest (out of its 50% interest) in coal seam methane rights in four licences in South Wales. Eden retains a 5% interest in the CSM rights in these four licences (which contain an estimated resource of between 380- 650 bcf of methane) plus a 50% interest in 14 other such licences in South Wales and England, and a 50% interest in all deeper conventional oil / Natural Gas rights to all 18 licences.

Geothermal Energy / Australian Natural Gas Target

- ❖ Subsequent to 30 June 2009, Eden has agreed to enter into a Joint Venture with Origin Energy in relation to GEL 185. Origin will pay to Eden \$1 million and contribute the first \$500,000 of expenditure to earn a 70% interest in this licence.
- ❖ Eden is examining strategies for spinning the geothermal / Australian Natural Gas assets out as a separate entity.

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., F.FIN., MAusIMM** (Non-Executive)
Richard J Beresford **FAICD FAIE** (Non-Executive)

COMPANY SECRETARY:

Aaron P Gates **BCom CA**

REGISTERED OFFICE:

Level 40, Exchange Plaza
2 The Esplanade
Perth
Western Australia 6000
Tel +61 8 9282 5889
Fax +61 8 9282 5866
Email: mailroom@edenenergy.com.au
Website: www.edenenergy.com.au

SOLICITORS:

Solomon Brothers
Level 40, Exchange Plaza
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

CORPORATE

Sale of Assets Completed - \$7.8million cash raised

Eden completed the sale of 90% of its coal seam methane rights in four petroleum exploration and development licences in South Wales (raising \$5.8m) and is part way through receiving the sale proceeds from the sale in January of two of its US hydrogen subsidiaries (HyRadix Inc and Eden Cryogenics LLC), for a total price of \$2m plus receiving a completed and installed hydrogen reformer. To date, \$1.1 of the \$2m cash from the hydrogen asset sale has been received, with the balance to be received over the next five months.

Eden has received approximately \$6.9 million in cash, and is scheduled to receive a further \$0.9m in cash during the next five months.

HYDROGEN / HYTHANE® PROJECTS

Hythane® and Dual Fuel (Eden 100%)

Hythane® is a premium blend of 93% Natural Gas and 7% hydrogen by energy (80 Natural Gas / 20% Hydrogen by volume). It increases engine efficiency by up to 10% and reduces emissions of oxides of nitrogen (NOx) and carbon monoxide (CO) by up to 50% compared with pure Natural Gas. NOx is the primary cause of photochemical smog and is a major contributor to lung cancer and respiratory ailments. CO is a highly poisonous gas.

First Public Indian Hythane® Station

The first public Hythane® refuelling station (see Figures 1-4), built by Hythane Co at Dwarka, near Delhi, for Indian Oil Corporation (a largely Indian Government-owned oil company), was completed in January 2009. Hythane Co was awarded the contract to build this station in a public tender process, ahead of major international competition. The first vehicle that was refuelled was a Hythane® tuned car, developed by Indian Oil under the Indian government hydrogen programme.

The station comprises an electrolyser capable of producing 5Nm³ of hydrogen per hour, a compressor, blender, storage tanks and dispenser (see Figure 2).

It is anticipated that at least one if not two further Hythane stations will be built in Delhi ahead of the Commonwealth Games which are scheduled to be held in October 2010 in Delhi. Hythane Co proposes to tender to supply these stations.

First Indian Hythane® bus demonstration project

There was progress on each of the two proposed Hythane® bus demonstration projects during the year. These projects will each involve the installation of a hydrogen reformer and Hythane® blending and dispensing facilities, and testing of Hythane® fuel on between 50-75 buses over a 6-12 month period. Eden is actively marketing Hythane® fuel in India as a premium blend of Natural Gas initially for use with bus fleets.

A site for the proposed demonstration with Gujarat State Petroleum Corporation, with which Eden has entered into a preliminary memorandum of agreement, was selected and preliminary engineering drawings and designs completed. A full budget and a detailed proposal have been prepared and are awaiting final discussions. Following completion of these discussions and subject to receipt of formal Board approvals, a formal agreement is proposed to be entered into and the project should commence within approximately three months of the signing of the agreement, and be completed within nine months after commencement.

Preliminary Board approval was also obtained from the two parties involved in the second proposed Indian Hythane® bus demonstration project, which will be similar in size and scale to the Gujarat demonstration project, and which is planned to be conducted by Eden in Mumbai. It is hoped that all necessary formalities for this project will be completed by the end of 2009, shortly after which the project will commence.

Proposals for conversion of additional Indian natural gas bus engines to operate on Hythane® have been submitted to the major Indian bus manufacturers, and Eden is confident that suitable, high efficiency, ultra-low emission Hythane® fuelled buses will be available for these demonstrations when they begin. These demonstrations are planned to deliver both commercial and environmental results that will lead to the rollout over the next 5 years of a large scale, commercially viable, ultra-clean public bus system in India operating on Hythane® fuel.

REVIEW OF OPERATIONS



Figure 1 First Public Indian Hythane® Station and First Hythane® Fueled Car



Figure 2 The electrolyser and compressor at the Dwarka Hythane® Station

REVIEW OF OPERATIONS



Figure 3 Signboard at the Dwarka Hythane® Station showing HCNG (Hythane®)



Figure 4 First Refuelling at Dwarka Hythane® Station, by Hythane Co personnel

REVIEW OF OPERATIONS

San Francisco International Airport (SFO)

Progress on the Hythane® station at San Francisco International Airport has been on schedule. For this project, Hythane Company has received funding for station infrastructure as well as the conversion of 27 Ford E-450 airport shuttles to run on Hythane®. A project using this significant number of vehicles will demonstrate the practicality of Hythane® vehicles for large-scale projects across the US.

Funding is being supplied by the Bay Area Air Quality Management District (BAAQMD) and the San Mateo County Government, with additional funding anticipated through two separate grants from the Department of Energy (DOE). Recently, the major merchant gas company with which Hythane Company is working on this project, received grant funding for its hydrogen fueling station adjacent to the Hythane® station. This award is a significant boost to the Hythane® project as it makes low-cost hydrogen readily available at the site

The SFO Hythane project is currently in the design and permitting stage, with construction planned for later this year. Both the hydrogen and Hythane® stations are expected to be completed and operational by the middle of 2010.

BAF Hythane® Engine Calibration

Hythane Company, in conjunction with BAF Technologies, has developed a Hythane® calibration for Ford 6.8L V10 engines used in E-450 vehicles. This calibration, which demonstrates the dramatic emissions reductions that can be achieved through the use of Hythane®, was granted certification during July 2009 by the California Air Resources Board (CARB). CARB certification allows commercial sale and use of this engine, no longer limiting it to use in demonstration projects.

The Hythane® calibration provides dramatic emissions reductions over the natural gas version of the engine, which already provides substantial emissions benefits as compared to the gasoline version of the engine. Specifically, the Hythane® calibration achieves a 10.5% reduction in CO₂, a 40% reduction in non-methane hydrocarbons, a 49% reduction in CH₄ emissions, and a 70% reduction in particulate matter over the natural gas version of this engine.

Non-methane hydrocarbon emissions contribute to the formation of photochemical smog, a significant problem in many urban areas. In addition to causing local air pollution, these emissions are also powerful greenhouse gases.

In addition to emissions reductions, the use of Hythane® fuel provides a 3.9% efficiency gain over the natural gas version of the particular engine. When spread over a large fleet, efficiency gains provide considerable economic benefit. With other types of engines, even greater efficiency gains of up to 15% are anticipated in the future.

The Hythane® engine calibration was designed for the Hythane project in progress at San Francisco International Airport (SFO) referred to above, and Hythane Co will receive a royalty for the sale of each Hythane engine sold by BAF.

City of Hempstead

As part of the Hythane engine calibration project, BAF Technologies has established a Hythane® version of the Ford E-450 as a standard offering. The City of Hempstead has placed an order for one of these Hythane® vehicles to showcase at their blended fuel station. With the vehicles at SFO, this will place Hythane® vehicles in operation on both coasts of the US, and it is planned to use these to open up further Hythane® vehicle projects around the country.

Hythane® in Stationary Power

Hythane® fuel in natural gas generators can provide significant emissions reductions over ordinary natural gas. Hythane is exploring the applicability of this technology to smaller stationary generators in Southern California.

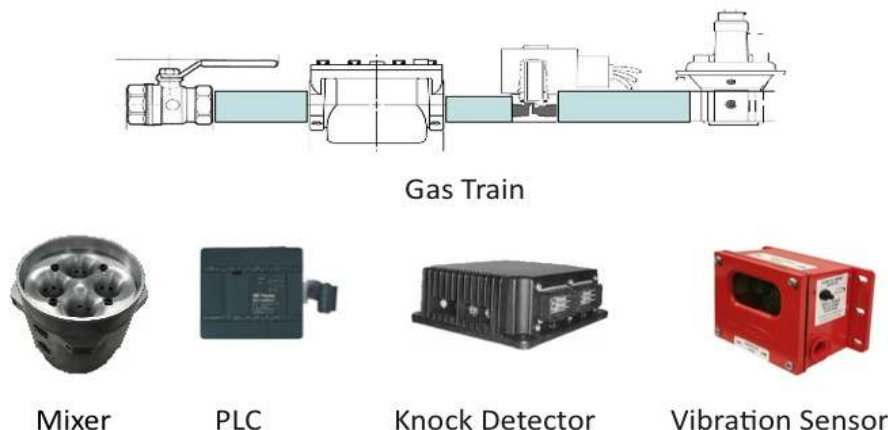
If it is proven that Hythane can provide sufficiently low emissions to comply with state and local regulations, the technology will offer a low-cost alternative to pure hydrogen generators, which is one of the only approved methods for generating power on a small scale. Given the high price of power in Southern California, small-scale power holds tremendous market potential for Hythane®.

REVIEW OF OPERATIONS

OptiBlend Diesel / Natural Gas/ Hythane® Dual Fuel Project

Eden continues to progress its Diesel Dual Fuel Project. A dual fuel kit was developed to enable the Indian manufactured 400kW Cummins diesel generator, which was earlier sent to the Hythane® Company's test facility in Colorado, to run on a combination of diesel and Hythane® or diesel and natural gas.

OptiBlend Major System Components



This kit is capable of being adapted to any suitable diesel engine.

First Sales of the OptiBlend® System

Eden Energy Ltd has secured the first three sales of its OptiBlend® dual fuel system in Assam in north-eastern India, where low cost natural gas is readily available.

The OptiBlend System dramatically lowers operational costs, increases back up fuel capacity, reduces emissions, and extends both maintenance intervals and engine life.

These first sales are to one of the world's largest tea plantations, and will be trialed on diesel generators with a power output of between 400 kVA and 1,250 kVA .

The OptiBlend System, developed by Eden's wholly owned Hythane Company in Colorado, USA, is an innovative retrofit technology developed for a wide range of diesel engine applications, which displaces diesel with natural gas or other alternative fuels, without modifications to the internal components or the stock fuel management system. It is initially being marketed in both India and USA for use with diesel-powered generators.

In India there are many hundreds of thousands of medium and large sized diesel-powered generators that are used to provide either back-up power or base-load power to commercial, industrial, residential and institutional complexes throughout the country.

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

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.

REVIEW OF OPERATIONS

Discussions are progressing with a potential Indian partner to undertake a scale-up to pilot plant scale of the technology, jointly owned and developed by Eden with the University of Queensland over the past four years, and over which patent applications have been lodged in over 50 countries, through which natural gas (methane) is separated into its primary constituents of hydrogen (that can be used as a very clean fuel) and solid carbon.

Solid carbon is produced by this technology in various forms, including carbon fibres and carbon nanotubes, which have a tensile strength of up to 300 times that of steel while weighing less than 20% of the weight of steel. Super-strong, ultra light weight carbon fibre based composite materials are already used in many high technology applications, including replacing steel and aluminium in Formula 1 racing cars and other high end performance cars and by both Boeing and Airbus in their new very strong, light weight fuel-efficient aircraft, but its current production method is relatively energy intensive, and the material is presently very expensive.

Similarly, at present, the normal method of producing hydrogen from natural gas has the unwanted effect of producing carbon dioxide as a by-product.

Eden's new technology, however, is anticipated to be more energy efficient and has the potential to not only produce hydrogen from natural gas at a relatively low cost, but to have extremely valuable solid carbon instead of carbon dioxide as its only by-product. This opens up exciting possibilities for future low cost widespread commercial use of ultra-strong and ultra-light material using carbon fibre and carbon nanotubes, particularly in the motor vehicle and aircraft industries. With automobiles for instance, it has been estimated that the total weight of the average car could be reduced by more than 50% by using carbon composite materials for both the chassis and body panels, offering a great reduction in fuel consumption resulting from the reduction in weight and also potentially huge reductions in the greenhouse gas emissions over the life of the vehicle, due to both the use of the carbon as a structural material to displace steel and aluminium, and also to the reduced fuel consumption.

Additionally, the value of the carbon which will be produced is projected to result in the effective cost of hydrogen being greatly reduced, thereby increasing the competitive benefits of both Hythane® and hydrogen as ultra-low emission, ultra-low greenhouse gas producing fuels.

UNIVERSITY OF QUEENSLAND ("UQ") – NEW GAS TO LIQUIDS RESEARCH PROJECT (EDEN 50%)

Eden and The University of Queensland ("UQ") have taken out a provisional patent application on a new simplified method of producing liquid hydrocarbons and hydrogen from methane (natural gas), and have secured a \$500,000 Australian Research Council Grant to fund a significant portion of the 3 year project. Preliminary indications are that the new process has potential for production of both ethylene (which is used in the plastics industry as a major feedstock) and liquid motor vehicle fuel from natural gas, with highly encouraging economic potential particularly related to stranded natural gas fields in remote locations. A formal agreement to proceed with this project was entered into by Eden and UQ.

SOUTH WALES COAL BED METHANE PROJECT

Prospective Resource Estimate

Following the completion of the first phase of exploration drilling in its South Wales Coal Seam Methane project in 2008, Eden commissioned independent consultant, RISC Pty Ltd to provide an initial CSM resource estimate. This resource estimate is based on wellbore data from the 3 holes drilled to date in PEDL 100 (Aberavon-1, Llangeinor-1, Pencoed-1) and available regional data from 33 offset wells previously drilled by British Coal in the area around PEDL 100.

The RISC report indicates promising initial results, with estimated recoverable CSM resources of between 380 and 670 PJ (approximately 380 to 670 Bcf in volumetric terms) in PEDL 100. These resources are classified as Prospective Resources due to the usual uncertainties with limited data at this stage of appraisal. Further, the report concluded that the Westphalian coal characteristics appear comparable to those in some Queensland Permian CSM projects.

Further Potential Upside in CSM Resources in PEDL 100

RISC also notes potential upside to the above resource volumes as follows

- Pencoed-1 did not reach planned terminal depth and therefore did not sample full potential of the area around this well. Deeper coals which were not reached are likely to have higher gas contents. This possible extra gas has not been included in the resource estimate.
- Permeability measurements are few due to unfavourable hole conditions. Some encouraging results have been obtained.
- Fault/fracture enhanced permeability is likely and this could greatly enhance connectivity of coal seams.

As mentioned above, significant further upside exists in the area around the Pencoed-1 well. The best quality coals are in the deeper coal sections, which were not penetrated in Pencoed-1 due to drilling difficulties. Additional prospective CSM resources in the order of 80PJ to 160 PJ might have been expected if Pencoed-1 was drilled to its planned terminal depth, assuming the equivalent coal seams were encountered as in the lower sections of Aberavon-1 and Llangeinor-1 wells. This will be tested in subsequent appraisal drilling.

REVIEW OF OPERATIONS

Completion of Eden's PEDL 100 CSM Farm-in Obligations

With the completion of the three boreholes in PEDL 100, Eden 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. The purchaser from Eden has taken over the expenditure obligation of 500,000 pounds of expenditure 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. Eden retains the obligation to expend 1 million pounds to earn a 50% 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.

Sale of 45% interest in CSM interests in PEDLs 100, 148, 149 and 218

To provide ongoing working capital, Eden entered into the agreement detailed above to sell for approximately \$5.8 million 45% out of its 50% interest in the CSM rights to PEDLs 100, 148, 149 and 218 in Wales. This sale was completed on 25 February 2009. This leaves Eden with a 5% interest in the CSM in these four licences, together with its full 50% interest in the other 14 licences, and in the deeper conventional hydrocarbon targets on PEDLs 100, 148, 149 and 218.

Other Potential UK Hydrocarbon Resources

In addition to coal seam gas, there is a substantial opportunity for other unconventional gas resources, abandoned mine methane in the old mine shafts and conventional hydrocarbons in many of these new areas. Potential exists for Devonian-age shale gas and conventional hydrocarbons in sandstones located beneath the coal beds, similar to those existing in the Appalachian Trend in the United States of America, where major shale gas and Devonian-age sandstone and shale hosted natural gas deposits exist beneath the younger coal measures. It has been interpreted that the United States, the United Kingdom and Western Europe were combined at the time of deposition of both the Devonian-age sandstones and the younger coal measures, and if this interpretation proves correct, significant potential exists for conventional hydrocarbon deposits to be found in these sandstones and shales beneath the coal fields in South Wales and South Western England.

GEOHERMAL

Subsequent to 30 June 2009, Eden entered into an agreement with Origin Energy Ltd ("Origin"), a major Australian energy utility, for Origin to farm-in to Eden's Cooper Basin Geothermal Licence No. 185 in South Australia. The agreement is conditional upon approval by the South Australian Government. Origin will pay to Eden \$1 million cash and will bear the first \$500,000 of expenditure on the licence, to earn a 70% interest in GEL 185. Each party will then contribute proportionally to further expenditure. Origin will be operator of the project.

Apart from providing additional working capital to Eden, the farm-in by Origin provides a significant boost to Eden's plans to develop its geothermal interests by enabling Eden to progress the development of GEL 185 with a significant joint venture partner, and still retain a strategic interest in the broader Cooper Basin geothermal licence area, and is a welcome step in Eden's plans to develop a significant geothermal base in South Australia. Eden, directly and through its wholly owned subsidiary Terratherma Ltd, retains 100% interest in all of its remaining geothermal licences in South Australia.

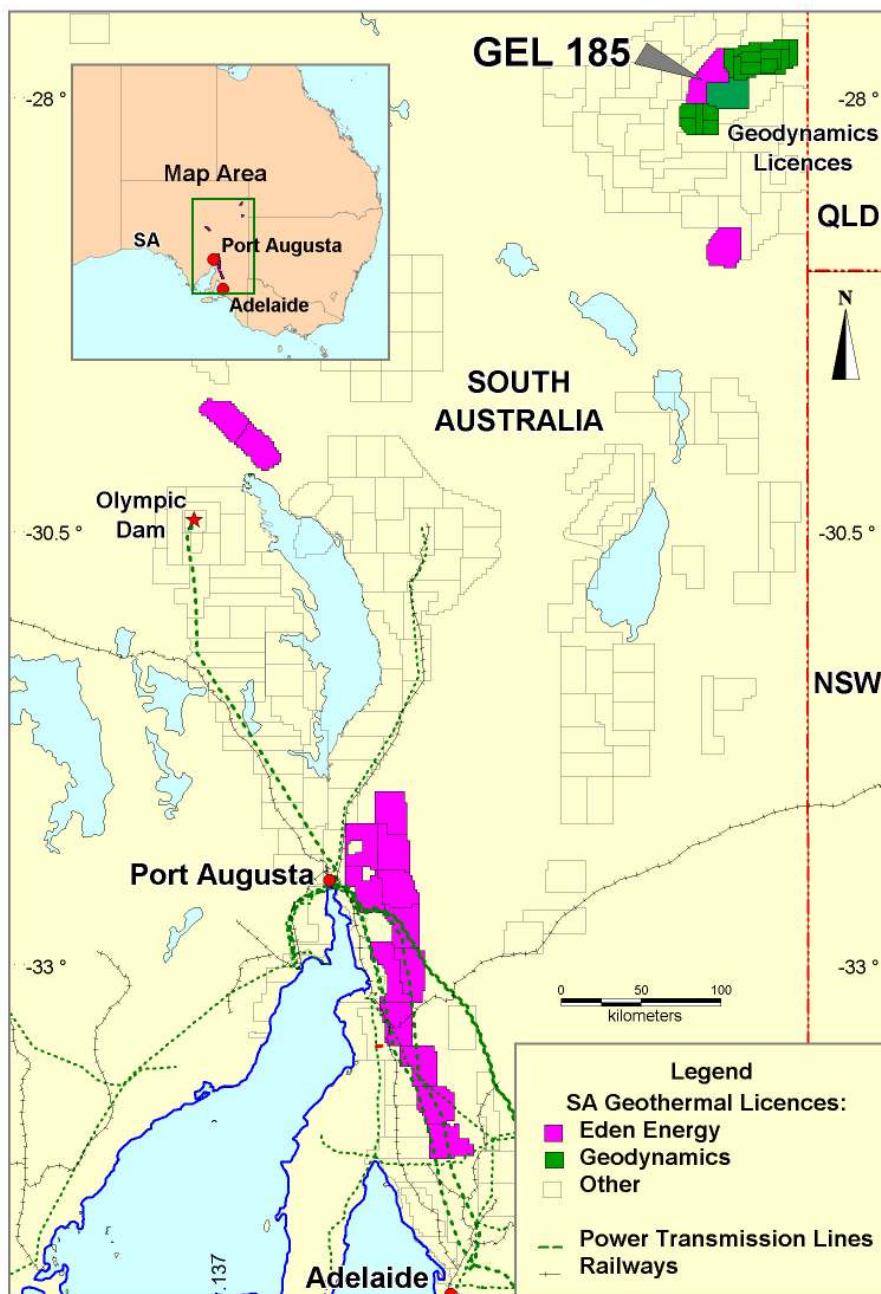
GEL 185 adjoins the geothermal licences of Geodynamics Ltd in the Cooper Basin where Geodynamics has undertaken a considerable amount of drilling and other work and identified a significant geothermal energy resource. In 2007, Origin entered into an agreement with Geodynamics to farm-in to a 30% interest in Geodynamics' geothermal licences. Origin is also a substantial shareholder in Geodynamics.

The location and relative size of GEL 185 relative to Geodynamics' geothermal licences in the Cooper Basin, and the location of Eden's other South Australian geothermal licences are shown on the following plan.

Eden is actively exploring a variety of ways to further progress the funding of the exploration and development of all of Eden's geothermal interests in South Australia, and is hopeful that a suitable way forward can be found during the next few months.

REVIEW OF OPERATIONS

South Australian Geothermal Licence Interests



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 | Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions. | The Company has not adopted this recommendation to formalise and disclose the functions reserved to the board and those delegated to management. The roles and functions within the Company must remain flexible in order for it to best function within its level of available resources. |
| 1.2 | Companies should disclose the process for evaluating the performance of senior executives. | The performance of senior executives is regularly reviewed and this has occurred during the year. |
| 1.3 | Companies should provide the information indicated in the Guide to Reporting on Principle 1. | See above. |

Principle 2: Structure the board to add value

| | | |
|-----|---|---|
| 2.1 | A majority of board 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 chair 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 chair and chief executive officer should not be exercised by the same individual. | The Company does not have a Chief Executive Officer. |
| 2.4 | The board should establish a nomination committee. | Acting in its ordinary capacity 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 nomination committee is warranted. |
| 2.5 | Companies should disclose the process for evaluating the performance of the board, its committees and individual directors. | Acting in its ordinary capacity, the Board from time to time carries out the process of considering and determining performance issues. Whenever relevant, any such matters are reported to the ASX. |
| 2.6 | Companies should 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 | <p>Companies should establish a code of conduct and disclose the code or summary of the code as to:</p> <ul style="list-style-type: none"> • the practices necessary to maintain confidence in the Company's integrity • the practices necessary to take into account their legal obligations and the responsible expectations of their stakeholders • the responsibility and accountability of individuals reporting or investigating reports of unethical practices. | The Company has a Code of Conduct which can be viewed on the Company's website. |
|-----|---|---|

| | | |
|-----|---|---|
| 3.2 | Companies should establish a policy concerning trading in company securities by directors, officers and employees, and disclose the policy or a summary of that policy. | 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. A copy of this policy can be viewed on the Company's website. |
| 3.3 | Companies should 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 | 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. The Board itself is the forum that deals with this function. |
| 4.2 | The audit committee should be structured so that it: <ul style="list-style-type: none"> • consists only non-executive directors • consists of a majority of independent directors • is chaired by an independent chair, who is not the chair of the board • At least three members | See 4.1 |
| 4.3 | The audit committee should have a formal charter. | See 4.1 |
| 4.4 | Companies should provide the information indicated in Guide to Reporting on Principle 4. | See 4.1 |

Principle 5: Make timely and balanced disclosure

| | | |
|-----|---|--|
| 5.1 | Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance and disclose those policies or a summary of those policies. | The Company has a Continuous Disclosure Policy which can be viewed on the Company's website. |
| 5.2 | Companies should provide the information indicated in Guide to Reporting on Principle 5 | See above. |

Principle 6: Respect the rights of shareholders

| | | |
|-----|---|---|
| 6.1 | Companies should design and disclose a communications policy for promoting effective communication with shareholders and encourage their participation at general meetings and disclose their policy or a summary of that policy. | The Company has a Communications Policy which can be viewed on the Company's website. |
| 6.2 | Companies should provide the information indicated in Guide to Reporting on Principle 6. | The Company has a Communications Policy which can be viewed on the Company's website. |

Principle 7: Recognise and manage risk

| | | |
|-----|---|---|
| 7.1 | Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies. | Due to the size and nature of the Company, the Company does not have formalised policies on risk management. The Board recognises its responsibility for identifying areas of material business risk and for ensuring that arrangements are in place for adequately managing these risks. This issue is regularly reviewed at board meetings and risk management culture is encouraged amongst employees and contractors. |
| 7.2 | The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks. | See above. |
| 7.3 | The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. | The Executive Chairman and the Chief Financial Officer make this assurance to the Board. |
| 7.4 | Provide information indicated in Guide to Reporting on Principle 7. | See above. |

Principle 8: Remunerate fairly and responsibly

| | | |
|-----|---|---|
| 8.1 | The board should establish a remuneration committee. | Due to the size and nature of the Company, the Company does not have a remuneration committee. 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. |
| 8.2 | Companies should clearly distinguish the structure of non-executive directors remuneration from that of executives. | See 8.1 |
| 8.3 | Companies should provide information indicated in ASX Guide to Reporting on Principle 8. | No schemes exist for retirement benefits for non-executive directors other than statutory superannuation. |

DIRECTORS' REPORT

Your directors present their report on the Company and its controlled entities for the financial year ended 30 June 2009.

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 (resigned November 2009)

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:

Mr Aaron P Gates has worked for Eden Energy Ltd for the past 15 months. He is a Chartered Accountant and Chartered Secretary. He has completed a Bachelor of Commerce (Curtin University) with majors in accounting and business law and completed a Diploma of Corporate Governance. Prior to joining Fission he worked in public practice in audit and corporate finance roles.

Principal Activities

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;
- 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 \$8,858,390 (2008: \$10,910,824)

Dividends Paid or Recommended

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

Review of Operations

A review of the operations of the Group during the year ended 30 June 2009 is set out in the Review of Operations on Page 4.

Financial Position

The net assets of the consolidated group have decreased by \$7,635,939 from 30 June 2008 to \$15,145,343 in 2009. This increase has largely resulted from the following factors:

- divestment of a portion of the South Wales Coal Bed Methane Project; and
- divestment of the businesses of HyRadix, Eden Cryogenics and CTS.

The group's working capital, being current assets less current liabilities, has decreased from \$6,264,524 in 2008 to \$1,446,167 in 2009.

Significant Changes in State of Affairs

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

On 27 October 2008 Eden entered into a conditional agreement to sell the businesses of HyRadix, Eden Cryogenics and CTS to an Australian company. After some agreed changes, the contract was settled on 6 January 2009.

On the 19 December 2008, Eden entered into a conditional contract to sell a portion of its Welsh Coal Bed Methane and Abandoned Mine Methane assets to a large, publicly listed, UK energy utility (which under the terms of the transaction, did not wish to be named publicly). The contract was settled on 24 February 2009.

After Balance Date Events

On 28 September 2009 Eden entered into an agreement with Origin Energy Ltd ("Origin"), for Origin to farm-in to Eden's Cooper Basin Geothermal Licence No. 185 in South Australia, conditional on approval by the South Australian Government. Origin will pay \$1 million cash and will bear the first \$500,000 of expenditure on the licence to earn a 70% interest.

Other than the above, no 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.

DIRECTORS' REPORT

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 | 3,231,302 Ordinary Shares 3,163,675 Options |
| Directorships held in other listed entities | Tasman Resources Limited (ASX:TAS) Fission Energy Limited (ASX:FIS) |
| | |
| 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 | 3,051,302 Ordinary Shares 3,163,675 Options |
| Directorships held in other listed entities | Tasman Resources Limited (ASX:TAS) Fission Energy Limited (ASX:FIS) |
| | |
| Guy T Le Page | Non-Executive |
| Qualifications | B.A., B.Sc. (Hons), M.B.A., F.FIN., 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 |
| Directorships held in other listed entities | Tasman Resources Limited (ASX:TAS) Fission Energy Limited (ASX:FIS) Red Sky Energy Limited (ASX:ROG) Palace Resources Limited (ASX:PXR) Enerji Limited (AX:ERJ) |

DIRECTORS' REPORT

| | |
|---|---|
| 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. 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 | 1,000,000 Ordinary Shares 750,000 Options |
| 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.

DIRECTORS' REPORT

Key Management Personnel Remuneration Policy

The Board's policy for determining the nature and amount of remuneration of 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.

Key Management Personnel Remuneration

| 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 | Super-annuation | Other | Equity Options | | | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | % |
| 2009 | | | | | | | | | | |
| Gregory H Solomon | 150,000 | - | - | - | 13,500 | - | - | - | 163,500 | - |
| Douglas H Solomon | 24,000 | - | - | - | 2,160 | - | - | - | 26,160 | - |
| Gregory J Egan | 151,935 | - | 15,279 | - | 6,543 | - | - | - | 173,757 | - |
| Guy T Le Page | 24,000 | - | - | - | 2,160 | - | - | - | 26,160 | - |
| Andrew Leibovitch | 8,733 | - | - | - | 786 | - | - | - | 9,519 | - |
| Richard J Beresford | 24,000 | - | - | - | 2,160 | - | - | - | 26,160 | - |
| Roger W Marmaro | 328,525 | - | 60,016 | - | 16,455 | - | 47,831 | 4,789 | 457,616 | - |
| Aaron P Gates | (a) | - | - | - | - | - | - | - | - | - |
| | 711,193 | - | 75,295 | - | 43,764 | - | 47,831 | 4,789 | 882,872 | - |
| 2008 | | | | | | | | | | |
| 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 | - |

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

(b)

Options issued as part of remuneration for the year ended 30 June 2009

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

DIRECTORS' REPORT

Options Granted as Remuneration

| Key Management Person | Vested | No. Granted | No. Grant Date | Value per option at grant date | Exercise Price | First Exercise date | Last Exercise Date |
|------------------------------|----------------|--------------------|-----------------------|---------------------------------------|-----------------------|----------------------------|---------------------------|
| | | | | \$ | \$ | | |
| Aaron P Gates | 200,000 | 500,000 | 23/12/2008 | 0.026 | 0.385 | 23/12/2008 | 26/05/2013 |
| Roger W Marmaro | 532,058 | 532,058 | 20/04/2009 | 0.009 | 0.200 | 20/04/2009 | 30/09/2009 |
| | <u>732,058</u> | <u>1,032,058</u> | | | | | |

All options were granted for nil consideration.

Meetings of Directors

During the financial year, 8 meetings of directors were held. Attendances by each director during the year were as follows:

| | Number eligible to attend | Number attended |
|---------------------|----------------------------------|------------------------|
| Gregory H Solomon | 8 | 8 |
| Douglas H Solomon | 8 | 8 |
| Gregory J Egan | - | - |
| Guy T Le Page | 8 | 8 |
| Andrew Leibovitch | 7 | 7 |
| Richard J Beresford | 8 | 8 |

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 |
| 29 April 2008 | 30 September 2009 | \$0.20 | 886,763 |
| 20 April 2009 | 30 September 2009 | \$0.20 | 886,763 |
| 14 August 2006 | 31 August 2009 | \$0.25 | 450,000 |
| 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 | 1,000,000 |
| 15 May 2007 | 15 May 2010 | \$0.685 | 650,000 |
| 23 December 2008 | 25 March 2011 | \$0.31 | 50,000 |
| 23 December 2008 | 15 May 2011 | \$0.685 | 1,475,000 |
| 25 June 2008 | 30 June 2011 | \$0.45 | 1,227,000 |
| 17 March 2009 | 31 December 2011 | \$0.10 | 5,000,000 |
| 22 May 2009 | 14 May 2012 | \$0.20 | 335,000 |
| 23 December 2008 | 26 May 2013 | \$0.385 | 500,000 |
| Options Exercised | 30 September 2009 | \$0.20 | (340,586) |
| | | | <u>100,751,348</u> |

DIRECTORS' REPORT

Shares Issued on Exercise of Compensation Options

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

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 was approximately \$35,211.

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.

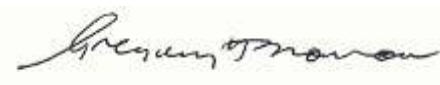
The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2009:

| | |
|-------|-------|
| | \$ |
| Other | 1,894 |
| | <hr/> |
| | 1,894 |

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2009 has been received and can be found on page 23 of the directors' report.

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



Gregory H Solomon
Chairman

Dated this 29th day of September 2009

10 Kings Park Road
West Perth WA 6005
PO BOX 570
West Perth WA 6872

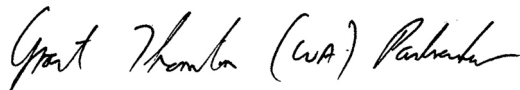
T +61 8 9480 2000
F +61 8 9322 7787
E admin@gtwa.com.au
W www.grantthornton.com.au

29 September 2009

**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 2009, 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



M J Hillgrove
Partner

Perth, 29 September 2009

INCOME STATEMENT FOR YEAR ENDED 30 JUNE 2009

| | Note | Consolidated Group | | Parent Entity | |
|--|------|--------------------|--------------|---------------|--------------|
| | | 2009 \$ | 2008 \$ | 2009 \$ | 2008 \$ |
| Revenue | 2a | 810,743 | 1,236,529 | 73,596 | 426,306 |
| Raw materials and consumables used | | (333,062) | (745,821) | - | - |
| Accounting and audit expense | | (140,443) | (171,373) | (57,315) | (69,290) |
| Advertising and marketing expense | | (11,355) | (388,162) | - | - |
| Contractors expense | | (15,599) | (79,050) | - | - |
| Depreciation and amortisation expense | | (50,656) | (91,499) | (645) | (1,356) |
| Doubtful debts expense | | (60,603) | - | - | - |
| Employee benefits expense | | (2,508,324) | (2,938,670) | (263,082) | (365,067) |
| Finance costs | | (229,399) | (13,274) | (228,731) | (10,000) |
| Foreign exchange loss | | (152,158) | (10,643) | (142,897) | (159,868) |
| Gain on sale of non current assets | | 1,271,885 | - | 1,271,885 | - |
| Impairment of exploration costs | | (545,337) | - | (463,612) | - |
| Impairment of goodwill | | - | (72,089) | - | - |
| Impairment of investment in subsidiary | | - | - | - | (558,621) |
| Impairment of receivable from controlled entity | | - | - | - | (17,998,938) |
| Legal and other consultants expense | | (439,367) | (381,536) | (307,649) | (153,999) |
| Loss on sale of subsidiaries | | (794,412) | - | (1,207,882) | - |
| Research and development expenditure | | (87,000) | (60,401) | (87,000) | (38,000) |
| Rent expense | | (117,886) | (129,869) | - | - |
| Travel and accommodation expense | | (336,526) | (635,396) | (132,659) | (109,625) |
| Other expenses | | (373,703) | (819,067) | (153,939) | (470,006) |
| Loss before income tax | 3 | (4,113,202) | (5,300,321) | (1,699,930) | (19,508,464) |
| Income tax (expense)/benefit | 4 | - | - | - | - |
| Loss from continuing operations | | (4,113,202) | (5,300,321) | (1,699,930) | (19,508,464) |
| Loss from discontinuing operations | 30 | (4,745,188) | (5,610,503) | (21,474) | - |
| Loss for the year | 3 | (8,858,390) | (10,910,824) | (1,721,404) | (19,508,464) |
| Basic overall earnings per share (cents per share) | 6 | (4.9039) | (6.7523) | | |
| Continuing Operations | | | | | |
| Basic earnings per share (cents per share) | 6 | (2.2770) | (3.2801) | | |
| Discontinuing Operations | | | | | |
| Basic earnings per share (cents per share) | 6 | (2.6269) | (3.4722) | | |

The accompanying notes form part of these financial statements.

BALANCE SHEET AS AT 30 JUNE 2009

| | Note | Consolidated Group | | Parent Entity | |
|--------------------------------------|------|--------------------|-------------------|-------------------|-------------------|
| | | 2009 \$ | 2008 \$ | 2009 \$ | 2008 \$ |
| ASSETS | | | | | |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | 8 | 3,059,628 | 4,322,973 | 2,681,047 | 2,546,945 |
| Trade and other receivables | 9 | 2,404,559 | 2,198,971 | 2,252,305 | 80,779 |
| Inventories | 10 | 454,400 | 4,136,948 | - | - |
| Other current assets | 11 | 18,129 | 509,583 | - | - |
| TOTAL CURRENT ASSETS | | 5,936,716 | 11,168,475 | 4,933,352 | 2,627,724 |
| NON-CURRENT ASSETS | | | | | |
| Trade and other receivables | 9 | 118,878 | 1,518,648 | 9,184,576 | 9,820,457 |
| Financial assets | 12 | 579,501 | 4,042,419 | - | 2,391,845 |
| Property, plant and equipment | 14 | 236,596 | 1,528,716 | 1,375 | 2,220 |
| Intangible assets | 16 | 9,168,119 | 8,578,080 | 27,363 | - |
| Exploration and evaluation | 17 | 536,453 | 848,895 | 358,636 | 791,569 |
| TOTAL NON-CURRENT ASSETS | | 10,639,547 | 16,516,758 | 9,571,950 | 13,006,091 |
| TOTAL ASSETS | | 16,576,263 | 27,685,233 | 14,505,302 | 15,633,815 |
| CURRENT LIABILITIES | | | | | |
| Trade and other payables | 18 | 1,230,927 | 4,189,814 | 1,076,229 | 792,629 |
| Provisions | 19 | 199,993 | - | - | - |
| Financial liabilities | 20 | - | 31,456 | - | - |
| TOTAL CURRENT LIABILITIES | | 1,430,920 | 4,221,270 | 1,076,229 | 792,629 |
| NON-CURRENT LIABILITIES | | | | | |
| Trade and other payables | 18 | - | 630,172 | - | - |
| Financial liabilities | 20 | - | 52,509 | - | - |
| TOTAL NON-CURRENT LIABILITIES | | - | 682,681 | - | - |
| TOTAL LIABILITIES | | 1,430,920 | 4,903,951 | 1,076,229 | 792,629 |
| NET ASSETS | | 15,145,343 | 22,781,282 | 13,429,073 | 14,841,186 |
| EQUITY | | | | | |
| Issued capital | 21 | 42,192,124 | 42,123,647 | 42,192,124 | 42,123,647 |
| Reserves | 22 | 2,091,588 | 937,614 | 1,835,972 | 1,595,158 |
| Retained earnings | | (29,138,369) | (20,279,979) | (30,599,023) | (28,877,619) |
| TOTAL EQUITY | | 15,145,343 | 22,781,282 | 13,429,073 | 14,841,186 |

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2009

Consolidated Group

| | <u>Share Capital</u> | | | | | |
|---|----------------------|------------|-------------------|---|-----------------------|--------------|
| | Note | Ordinary | Option Reserve | Foreign Currency Translation Reserve | Accumulated Losses | Total |
| | | \$ | \$ | \$ | \$ | \$ |
| 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 |
| Shares issued during the year | | 80,350 | - | - | - | 80,350 |
| Share issue costs | | (11,873) | - | - | - | (11,873) |
| Translation of foreign controlled entities | | - | - | 1,636,206 | - | 1,636,206 |
| Realisation of foreign exchange gains | | - | - | (723,049) | - | (723,049) |
| Issue of options | | - | 240,817 | - | - | 240,817 |
| Loss attributable to members of parent entity | | - | - | - | (8,858,390) | (8,858,390) |
| Balance at 30 June 2009 | | 42,192,124 | 1,835,975 | 255,613 | (29,138,369) | 15,145,343 |

Parent Entity

| | <u>Share Capital</u> | | | | | |
|---|----------------------|------------|-------------------|---|-----------------------|--------------|
| | Note | Ordinary | Option Reserve | Foreign Currency Translation Reserve | Accumulated Losses | Total |
| | | \$ | \$ | \$ | \$ | \$ |
| 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 |
| Shares issued during the year | | 80,350 | - | - | - | 80,350 |
| Share issue costs | | (11,873) | - | - | - | (11,873) |
| Issue of options | | - | 240,814 | - | - | 240,814 |
| Loss attributable to members of parent entity | | - | - | - | (1,721,404) | (1,721,404) |
| Balance at 30 June 2009 | | 42,192,124 | 1,835,972 | - | (30,599,023) | 13,429,073 |

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT FOR YEAR ENDED 30 JUNE 2009

| | Note | Consolidated Group | | Parent Entity | |
|--|------|--------------------|--------------|---------------|--------------|
| | | 2009 \$ | 2008 \$ | 2009 \$ | 2008 \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Receipts from customers | | 4,494,030 | 2,675,337 | 59,131 | - |
| Payments to suppliers and employees | | (11,262,740) | (16,265,397) | (1,193,497) | (1,351,490) |
| Interest received | | 62,250 | 426,336 | 58,563 | 426,307 |
| Goods and Services Tax refunds | | 172,411 | 72,473 | 79,928 | 31,008 |
| Net cash provided by (used in) operating activities | 25 | (6,534,049) | (13,091,251) | (995,875) | (894,175) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Exploration expenditure | | (232,058) | (614,650) | (29,922) | (557,324) |
| Purchase of property, plant and equipment | | (142,207) | (1,805,752) | - | (895) |
| Development of intangible assets | | (590,039) | (1,567,521) | - | - |
| Loans to controlled entities | | - | - | (4,659,870) | (17,565,801) |
| Investment in joint venture | | (1,041,693) | (2,434,600) | (537,292) | (826,287) |
| Proceeds from sale of investments | | 5,759,758 | | 5,731,675 | - |
| Proceeds from sale of subsidiary | | 87,591 | - | 750,000 | - |
| Net cash provided by (used in) investing activities | | 3,841,352 | (6,422,523) | 1,254,591 | (18,950,307) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Proceeds from issue of shares | | (158,040) | 20,376,169 | (124,614) | 20,376,169 |
| Proceeds from borrowings | | 2,477,407 | - | 1,023,000 | - |
| Repayment of borrowings | | (1,049,792) | (38,488) | (1,023,000) | - |
| Net cash provided by (used in) financing activities | | 1,269,575 | 20,337,681 | (124,614) | 20,376,169 |
| Net increase (decrease) in cash held | | (1,423,122) | 823,907 | 134,102 | 531,687 |
| Net increase(decrease) due to foreign exchange movements | | 159,777 | 30,648 | - | - |
| Cash at beginning of financial year | | 4,322,973 | 3,468,418 | 2,546,945 | 2,015,258 |
| Cash at end of financial year | 8 | 3,059,628 | 4,322,973 | 2,681,047 | 2,546,945 |

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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 financial report was authorised for issue on 29 September 2009 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 15 to the financial statements. All controlled entities have a June financial year-end.

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

Where controlled entities have entered or left the consolidated group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

b. Income Tax

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Income Tax (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 13.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. 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.

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.

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 2009, 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.
- AASB 8: Operating Segments and AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8. AASB 8 replaces AASB 114 and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Group's Board for the purpose of decision making. While the impact of this statement cannot be assessed at this stage, there is potential for more segments to be identified. Management does not presently believe impairment will result.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.
- 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 the Company 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 2009.

There is a significant risk of actual outcomes being different from those forecasted due to changes in economic or market conditions and events.

NOTE 2: REVENUE

| | Note | Consolidated Group | | Parent Entity | |
|-----------------------------|------|--------------------|------------------|---------------|----------------|
| | | 2009 \$ | 2008 \$ | 2009 \$ | 2008 \$ |
| a. Operating activities | | | | | |
| — sale of goods or services | | 197,828 | 802,253 | - | - |
| — other | | 553,469 | 7,940 | 14,250 | - |
| — interest received | | 59,446 | 426,336 | 59,346 | 426,306 |
| Total Revenue | | 810,743 | 1,236,529 | 73,596 | 426,306 |

NOTE 3: LOSS FOR THE YEAR

a. Significant Revenue and Expenses

Significant revenue and expense items relevant in explaining the financial performance:

| | | | | |
|---|-----------|---|-------------|--------------|
| Impairment of receivable from controlled entity | - | - | - | (17,998,938) |
| Impairment of investment in subsidiary | - | - | - | (558,621) |
| Gain on sale of non-current asset | 1,271,885 | - | 1,271,885 | - |
| Impairment of exploration costs | (545,337) | - | (463,612) | - |
| Loss of sale of subsidiaries | (794,412) | - | (1,207,882) | - |

NOTE 4: INCOME TAX EXPENSE

- 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% (2008: 30%) | (1,233,961) | (1,590,096) | (509,979) | (5,852,539) |
| | (1,233,961) | (1,590,096) | (509,979) | (5,852,539) |
| Add tax effect of: | | | | |
| — shares and options expensed during year | 96,349 | 189,240 | 59,884 | - |
| — deferred tax assets not brought to account | 1,137,612 | 1,400,856 | 450,095 | 5,852,539 |
| Income tax attributable to entity | - | - | - | - |
| The applicable weighted average effective tax rates are as follows: | Nil% | Nil% | Nil% | Nil% |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 4: INCOME TAX EXPENSE CONTINUED

| | Note | Consolidated Group | | Parent Entity | |
|--|------|--------------------|------------------|------------------|------------------|
| | | 2009 | 2008 | 2009 | 2008 |
| | | \$ | \$ | \$ | \$ |
| b. Deferred tax assets not brought to account, the benefits of which will only be realised if conditions for deductibility occur | | | | | |
| — Net deferred tax assets/(liabilities) | | (1,172,255) | (638,690) | 6,982,352 | 7,796,763 |
| — tax losses: | | 5,834,982 | 7,642,411 | 1,539,311 | 1,042,991 |
| | | <u>4,662,727</u> | <u>7,003,721</u> | <u>8,521,663</u> | <u>8,839,754</u> |

NOTE 5: AUDITORS' REMUNERATION

Remuneration of the auditor of the parent entity for:

| | | | | |
|--|--------|--------|--------|--------|
| — auditing or reviewing the financial report | 41,570 | 35,845 | 41,570 | 35,845 |
| — Other | 9,872 | 31,945 | 1,722 | 31,945 |

Remuneration of other auditors of subsidiaries for:

| | | | | |
|--|--------|--------|---|---|
| — auditing or reviewing the financial report | 74,568 | 93,870 | - | - |
| — Other | - | - | - | - |

NOTE 6: EARNINGS PER SHARE

| | | | | |
|---|--|--------------------|---------------------|--|
| a. Reconciliation of earnings to profit or loss | | | | |
| Profit/(loss) | | <u>(8,858,390)</u> | <u>(10,910,824)</u> | |
| Earnings used to calculate basic EPS | | (8,858,390) | (10,910,824) | |
| b. Reconciliation of earnings to profit or loss from continuing operations | | | | |
| Loss from continuing operations | | <u>(4,113,202)</u> | <u>(5,300,321)</u> | |
| Earnings used to calculate basic EPS | | (4,113,202) | (5,300,321) | |
| c. Reconciliation of earnings to profit or loss from discontinuing operations | | | | |
| Loss from discontinuing operations | | <u>(4,745,188)</u> | <u>(5,610,503)</u> | |
| Earnings used to calculate basic EPS | | (4,745,188) | (5,610,503) | |
| d. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS | | <u>180,639,202</u> | <u>161,587,900</u> | |

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

NOTE 7: 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 Hythane (Resigned Sep 2008) |
| Andrew Leibovitch | Non-Executive Director (Resigned Nov 2008) |
| Richard J Beresford | Non-Executive Director |
| Roger W Marmaro | President Hythane |
| Aaron P Gates | Company Secretary / Chief Financial Officer |

Key management personnel remuneration is included in the Remuneration Report of the Directors Report

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 7: KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

b. Options and Rights Holdings

Number of Options Held by Key Management Personnel

| | Balance 1.7.2008 | Granted as Compen- sation | Options Exer- cised | Net Change* Other | Balance 30.6.2009 [^] | Total Vested 30.6.2009 [^] | Total Exercisable 30.6.2009 [^] | Total Unexer- cisable 30.6.2009 [^] |
|---------------------|---------------------|------------------------------------|---------------------------|-------------------------|-----------------------------------|--|--|---|
| 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 | - |
| Roger W Marmaro | 1,628,675 | 532,058 | - | - | 2,160,733 | 2,160,733 | 2,160,733 | - |
| Aaron Gates | - | 500,000 | - | - | 500,000 | 200,000 | 200,000 | 300,000 |
| Total | 16,856,934 | 1,032,058 | - | - | 17,888,992 | 17,588,992 | 17,588,992 | 300,000 |

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

[^] 30 June 2009 or date of resignation in relation to directors that resigned during the year.

c. Shareholdings

Number of Shares held by Key Management Personnel

| | Balance 1.7.2008 | Received as Compen- sation | Options Exercised | Net Change* Other | Balance 30.6.2009 [^] |
|---------------------|---------------------|----------------------------------|----------------------|-------------------------|-----------------------------------|
| Gregory H Solomon | 3,181,302 | - | - | 50,000 | 3,231,302 |
| Douglas H Solomon | 3,001,302 | - | - | 50,000 | 3,051,302 |
| Guy T Le Page | - | - | - | - | - |
| Gregory J Egan | 7,635,005 | - | - | (190,000) | 7,445,005 |
| Andrew Leibovitch | 85,000 | - | - | - | 85,000 |
| Richard J Beresford | - | - | - | 1,000,000 | 1,000,000 |
| Roger W Marmaro | 1,896,151 | 605,450 | - | - | 2,501,601 |
| Aaron P Gates | - | - | - | 5,000 | 5,000 |
| Total | 15,798,760 | 605,450 | - | 915,000 | 17,319,210 |

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

[^] 30 June 2009 or date of resignation in relation to directors that resigned during the year.

| | Note | Consolidated Group | | Parent Entity | |
|--|------|--------------------|------------------|------------------|------------------|
| | | 2009 | 2008 | 2009 | 2008 |
| | | \$ | \$ | \$ | \$ |
| NOTE 8: CASH AND CASH EQUIVALENTS | | | | | |
| Cash at bank and in hand | | 3,059,628 | 4,322,973 | 2,681,047 | 2,546,945 |
| Short-term bank deposits | | - | - | - | - |
| | | 3,059,628 | 4,322,973 | 2,681,047 | 2,546,945 |
| 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 | | 3,059,628 | 4,322,973 | 2,681,047 | 2,546,945 |
| Short-term bank deposits | | - | - | - | - |
| | | 3,059,628 | 4,322,973 | 2,681,047 | 2,546,945 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

| | Note | Consolidated Group | | Parent Entity | |
|--|------|--------------------|------------------|------------------|------------------|
| | | 2009 | 2008 | 2009 | 2008 |
| | | \$ | \$ | \$ | \$ |
| NOTE 9: TRADE AND OTHER RECEIVABLES | | | | | |
| CURRENT | | | | | |
| Trade receivables | | 136,716 | 1,769,069 | - | 41,616 |
| Other un-secured receivables | | 2,267,843 | 384,935 | 2,252,305 | 39,163 |
| Receivable from key management personnel | 9a | - | 44,967 | - | - |
| | | <u>2,404,559</u> | <u>2,198,971</u> | <u>2,252,305</u> | <u>80,779</u> |
| NON-CURRENT | | | | | |
| Amounts receivable from: | | | | | |
| — wholly-owned subsidiaries | | - | - | 26,630,163 | 27,709,395 |
| — Less: provision for impairment | | - | - | (17,556,869) | (17,998,938) |
| | | - | - | <u>9,073,294</u> | <u>9,710,457</u> |
| Other receivables | | 118,878 | 1,518,648 | 111,282 | 110,000 |
| | | <u>118,878</u> | <u>1,518,648</u> | <u>9,184,576</u> | <u>9,820,457</u> |

Amounts receivable from wholly owned subsidiaries are treated as an investment in subsidiaries for accounting purposes and carried at costs less provision for impairment.

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 | | | | | | |
| 2009 | 44,967 | - | - | - | - | 1 |
| 2008 | 36,368 | 44,967 | - | - | - | 1* |

* - This loan was offset by accrued directors fees of \$57,385 and was expected to be settled in the 2009 financial as the director is arranged an Australian tax file number.

NOTE 10: INVENTORIES

| | Note | Consolidated Group | | Parent Entity | |
|----------------|------|--------------------|------------------|---------------|----------|
| | | 2009 | 2008 | 2009 | 2008 |
| | | \$ | \$ | \$ | \$ |
| CURRENT | | | | | |
| At cost | | 454,400 | 4,136,948 | - | - |
| | | <u>454,400</u> | <u>4,136,948</u> | <u>-</u> | <u>-</u> |

NOTE 11: OTHER CURRENT ASSETS

| | | | | | |
|-------------|--|---------------|----------------|----------|----------|
| Prepayments | | 18,129 | 509,583 | - | - |
| | | <u>18,129</u> | <u>509,583</u> | <u>-</u> | <u>-</u> |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

| | Note | Consolidated Group | | Parent Entity | | |
|--|--|--------------------|----------------|------------------|-------------|------------------|
| | | 2009 | 2008 | 2009 | 2008 | |
| | | \$ | \$ | \$ | \$ | |
| NOTE 12: OTHER FINANCIAL ASSETS | | | | | | |
| a. Available-for-sale Financial Assets Comprise | | | | | | |
| Unlisted investments, at cost | | | | | | |
| — | interest in joint venture operations | 13 | 579,501 | 4,042,419 | - | 2,391,845 |
| | | | 579,501 | 4,042,419 | - | 2,391,845 |
| Unlisted investments, at recoverable amount | | | | | | |
| — | Shares in controlled entities, at cost | | - | - | 7,316,019 | 7,316,019 |
| | Less: Impairment Provision | | - | - | (7,316,019) | (7,316,019) |
| | | | - | - | - | - |
| | Total available-for-sale financial assets | | 579,501 | 4,042,419 | - | 2,391,845 |

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. In the prior year 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 | 579,501 | 4,042,419 | - | 2,391,845 |
| Total non-current assets | 579,501 | 4,042,419 | - | 2,391,845 |
| Net interest in joint venture operations | 579,501 | 4,042,419 | - | 2,391,845 |

Eden Energy (UK) Ltd has a 5% interest in a joint venture with two other parties in relation to four licenses in South Wales in Coal Bed Methane (CMB)/Coal Mine Methane (CMM). 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 recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

NOTE 14: PROPERTY, PLANT AND EQUIPMENT

| | Note | Consolidated Group | | Parent Entity | |
|-----------------------------------|------|--------------------|-------------|---------------|---------|
| | | 2009 | 2008 | 2009 | 2008 |
| | | \$ | \$ | \$ | \$ |
| Plant and equipment: | | | | | |
| At cost | | 508,745 | 2,869,194 | 5,046 | 5,046 |
| Accumulated depreciation | | (272,149) | (1,378,258) | (3,671) | (2,826) |
| Total plant and equipment | | 236,596 | 1,490,936 | 1,375 | 2,220 |
| Leasehold improvements: | | | | | |
| At cost | | - | 63,402 | - | - |
| Accumulated depreciation | | - | (25,622) | - | - |
| Total leasehold improvements | | - | 37,780 | - | - |
| Total property, plant & equipment | | 236,596 | 1,528,716 | 1,375 | 2,220 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

| | Note | Consolidated Group | | Parent Entity | |
|--|------|--------------------|-----------|---------------|---------|
| | | 2009 | 2008 | 2009 | 2008 |
| | | \$ | \$ | \$ | \$ |
| NOTE 14: PROPERTY, PLANT AND EQUIPMENT CONTINUED | | | | | |
| Movements in Carrying Amounts | | | | | |
| Plant & Equipment | | | | | |
| Balance at the beginning of year | | 1,490,936 | 860,695 | 2,220 | 2,681 |
| Additions | | 8,211 | 934,544 | - | 895 |
| Disposals | | (1,211,895) | - | - | - |
| Depreciation expense | | (50,656) | (304,303) | (845) | (1,356) |
| Carrying amount at the end of year | | 236,596 | 1,490,936 | 1,375 | 2,220 |
| Leasehold improvements | | | | | |
| Balance at the beginning of year | | 37,780 | 36,160 | - | - |
| Additions | | - | 21,332 | - | - |
| Disposals | | (37,780) | - | - | - |
| Depreciation expense | | - | (19,712) | - | - |
| Carrying amount at the end of year | | - | 37,780 | - | - |

The total impairment loss recognised in the income statement during the prior period amounted to Nil (2008: Nil) and is separately presented in the income statement as 'impairment of property plant and equipment'.

NOTE 15: CONTROLLED ENTITIES

| a. Controlled Entities | Country of Incorporation | Percentage Owned (%)* | |
|---|--------------------------|-----------------------|------|
| | | 2009 | 2008 |
| <i>Parent Entity:</i> | | | |
| Eden Energy Limited | Australia | | |
| <i>Subsidiaries of Eden Energy Limited:</i> | | | |
| Eden Innovations Limited | Ireland | 100 | 100 |
| Eden Energy (UK) Limited | United Kingdom | 100 | 100 |
| Eden Energy (India) Pvt Ltd | India | 100 | 100 |
| Hythane Company LLC | United States of America | 100 | 100 |
| Terratherma Ltd | Australia | 100 | 100 |
| Brehon Far East Pte Ltd | Singapore | - | 100 |
| Brehon Australasia Pty Ltd | Australia | - | 100 |
| Eden Cryogenics LLC | United States of America | - | 100 |
| Hydrogen China BVI Ltd | British Virgin Islands | - | 100 |
| HyRadix Inc | United States of America | - | 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

On 1 January 2009, the parent entity sold its 100% interest in HyRadix Inc and Eden Cryogenics LLC, a loss on sale of \$794,412 was attributable to members of the parent entity on the sale.

During the year Brehon Far East Pte Ltd, Brehon Australasia Pty Ltd and Hydrogen China BVI Ltd, which were dormant entities with no assets or liabilities, were wound up.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

| | Note | Consolidated Group | | Parent Entity | |
|--|------|--------------------|------------|---------------|------------|
| | | 2009 \$ | 2008 \$ | 2009 \$ | 2008 \$ |
| NOTE 16: INTANGIBLE ASSETS | | | | | |
| Intellectual property | | 9,168,119 | 8,650,169 | 27,363 | - |
| Accumulated impaired losses | | - | (72,089) | - | - |
| Net carrying value | | 9,168,119 | 8,578,080 | 27,363 | - |
| Balance at the beginning of the year | | 8,578,080 | 7,443,665 | - | - |
| Additions | | 590,039 | 1,134,415 | 27,363 | - |
| Additions – acquired through business combinations | | - | 72,089 | - | - |
| Impairment | | - | (72,089) | - | - |
| Carrying amount at the end of the year | | 9,168,119 | 8,578,080 | 27,363 | - |

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

| | | | | | |
|---|--|-----------|---------|-----------|---------|
| Balance at the beginning of the year | | 848,895 | 260,628 | 791,569 | 260,628 |
| Exploration expenditure during the year | | 259,895 | 588,267 | 30,679 | 530,941 |
| Impairment | | (545,337) | - | (463,612) | - |
| Balance at the end of the year | | 563,453 | 848,895 | 358,636 | 791,569 |

Recoverability of the carrying amount of exploration assets is dependent on the successful exploration and sale of geothermal energy. Capitalised costs amounting to \$232,058 (2008: \$614,650) have been included in cash flows from investing activities in the cash flow statement for the Consolidated Group.

NOTE 18: TRADE AND OTHER PAYABLES

CURRENT

| | | | | | |
|-------------------------------------|-----|-----------|-----------|-----------|---------|
| Trade payables | (a) | 1,030,711 | 2,284,723 | 1,000,010 | 612,369 |
| Other payables and accrued expenses | | 200,216 | 1,548,611 | 76,219 | 180,260 |
| Deferred revenue | | - | 356,480 | - | - |
| | | 1,230,927 | 4,189,814 | 1,076,229 | 792,629 |

NON-CURRENT

| | | | | | |
|------------------|--|---|---------|---|---|
| Deferred revenue | | - | 630,172 | - | - |
| | | - | 630,172 | - | - |

(a) \$979,483 of trade payables relates to a disputed debt.

NOTE 19: PROVISIONS

| | | | | | |
|-------|--|---------|---|---|---|
| Other | | 199,933 | - | - | - |
| | | 199,933 | - | - | - |

NOTE 20: FINANCIAL LIABILITIES

CURRENT

| | | | | | |
|-----------------|----|---|--------|---|---|
| Note payable | | - | 16,206 | - | - |
| Lease liability | 22 | - | 15,250 | - | - |
| | | - | 31,456 | - | - |

NON-CURRENT

| | | | | | |
|--------------|--|---|--------|---|---|
| Note payable | | - | 52,509 | - | - |
| | | - | 52,509 | - | - |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

| | Note | Consolidated Group | | Parent Entity | |
|--|------|--------------------|-------------------|-------------------|-------------------|
| | | 2009 \$ | 2008 \$ | 2009 \$ | 2008 \$ |
| NOTE 21: ISSUED CAPITAL | | | | | |
| 181,458,422 (2008: 180,441,339) fully paid ordinary shares | | 42,192,124 | 42,123,647 | 42,192,124 | 42,123,647 |
| | | <u>42,192,124</u> | <u>42,123,647</u> | <u>42,192,124</u> | <u>42,123,647</u> |

| | | 2009 No. | 2008 No. |
|--------------------------------------|--|--------------------|--------------------|
| a. Ordinary shares | | | |
| At the beginning of reporting period | | 180,441,339 | 135,158,179 |
| Shares issued – prior year | | - | 45,283,160 |
| Shares issued during the year | | | |
| — 20 April 2009 | | 1,017,083 | - |
| At reporting date | | <u>181,458,422</u> | <u>180,441,339</u> |
| i. | The ordinary shares on issue have no par value and there is no authorised share capital. | | |
| ii. | 20 April 2009 the company issued 1,017,083 ordinary shares to employees as part of an incentive scheme under employment contracts. | | |
| iii. | 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. | | |
| b. Options | | | |
| At the beginning of reporting period | | 97,304,585 | 95,531,408 |
| Options issued – prior year | | - | 2,113,763 |
| Options exercised – prior year | | - | (340,586) |
| Options lapsed | | (4,800,000) | - |
| Options issued during the year | | | |
| — 23 December 2008 | | 2,025,000 | - |
| — 17 March 2009 | | 5,000,000 | - |
| — 20 April 2009 | | 886,763 | - |
| — 22 May 2009 | | 335,000 | - |
| At reporting date | | <u>100,751,348</u> | <u>97,304,585</u> |
| i. | For information relating to the Eden Energy Limited employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer to Note 29 Share-based Payments. | | |
| ii. | For information relating to share options issued to key management personnel during the financial year, refer to Note 29 Share-based Payments. | | |

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 22: RESERVES

a. Option Reserve

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

b. Foreign Currency Translation Reserve

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

| | Note | Consolidated Group | | Parent Entity | |
|---|------|--------------------|------------|---------------|------------|
| | | 2009 \$ | 2008 \$ | 2009 \$ | 2008 \$ |
| NOTE 23: CAPITAL AND LEASING COMMITMENTS | | | | | |
| a. Finance Lease Commitments | | | | | |
| Payable — minimum lease payments | | | | | |
| — not later than 12 months | | - | 15,690 | - | - |
| — between 12 months and 5 years | | - | - | - | - |
| Minimum lease payments | | - | 15,690 | - | - |
| Less future finance charges | | - | (450) | - | - |
| Present value of minimum lease payments | | - | 15,240 | - | - |

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.

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 Petroleum Exploration and Development Licences.

NOTE 24: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Directors are not aware of any other contingent assets or contingent liabilities as at 30 June 2009.

NOTE 25: CASH FLOW INFORMATION

Reconciliation of Cash Flow from Operations with Loss after Income Tax

| | | | | |
|--|-------------|--------------|-------------|--------------|
| Loss after income tax | (8,858,390) | (10,910,824) | (1,721,404) | (19,508,464) |
| Cash flows excluded from loss attributable to operating activities | | | | |
| Non-cash flows in loss | | | | |
| Depreciation and amortisation | 50,656 | 354,731 | 645 | 1,356 |
| Doubtful debts expense | 60,603 | - | - | - |
| Employee benefits | 123,064 | 630,800 | 1,515 | - |
| Foreign exchange loss | 152,158 | 10,643 | 142,897 | 159,868 |
| Gain on sale of non-current assets | (1,271,885) | - | (1,271,885) | - |
| Impairment expense | 545,337 | 72,089 | 463,612 | 18,557,559 |
| Shares/options expense | 240,814 | 199,167 | 199,615 | - |
| Loss on sale of subsidiaries | 794,412 | - | 1,207,882 | - |
| Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries | | | | |
| (Increase)/decrease in trade and other receivables* | 201,268 | (1,963,696) | 42,812 | (57,357) |
| (Increase)/decrease in inventories | (16,207) | (2,279,282) | - | - |
| Increase/(decrease) in trade payables and accruals* | 1,444,121 | 795,121 | (63,564) | (47,137) |
| Cash flow from operations | (6,534,049) | (13,091,251) | (997,875) | (894,175) |

* - Net of non operating movements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 26: 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, Europe and India.

Primary reporting — Geographical segments

| | Australia | United States | Europe | India | Eliminations | Economic Entity (Continuing Operations) | Discontinued Operations |
|---|--------------|---------------|--------------|-----------|--------------|--|-------------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | |
| 2009 | | | | | | | |
| External sales | - | 696,810 | - | 40,236 | - | 737,046 | 854,432 |
| Other segments | - | 292,548 | - | - | (292,548) | - | - |
| Total segment revenue | - | 989,358 | - | 40,236 | (292,548) | 737,046 | 854,432 |
| Segment Result | (1,471,199) | (2,197,081) | (15,665,174) | (168,599) | 15,618,250 | (3,883,803) | (6,136,134) |
| Finance costs | | | | | | (229,399) | - |
| Loss before income tax | | | | | | (4,113,202) | (6,136,134) |
| Income tax expense | | | | | | - | - |
| Loss after income tax | | | | | | (4,113,202) | (6,136,134) |
| Segment Assets | 14,690,143 | 1,087,492 | 9,252,084 | 46,824 | (8,500,280) | 16,576,263 | - |
| Segment Liabilities | (1,546,641) | (8,923,998) | (23,680,691) | (66,565) | 32,786,975 | (1,430,920) | - |
| Net Assets | 13,143,502 | (7,836,506) | (14,428,607) | (19,741) | 24,286,695 | 15,145,343 | - |
| Purchase of non-current assets | - | - | - | - | - | - | - |
| Depreciation and amortisation | 645 | 35,173 | 12,060 | 2,579 | - | 50,457 | 132,974 |
| Impairment of investments and receivables | - | - | 15,007,646 | - | (15,007,646) | - | - |
| 2008 | | | | | | | |
| External sales | 426,336 | 810,193 | - | - | - | 1,236,529 | 3,266,224 |
| Other segments | - | 980,125 | - | - | (980,125) | - | 273,751 |
| Total segment revenue | 426,336 | 1,790,318 | - | - | (980,125) | 1,236,529 | 3,539,975 |
| Segment Result | (19,508,464) | (1,763,724) | (3,795,900) | (102,767) | 19,883,808 | (5,287,047) | (5,607,410) |
| Finance costs | | | | | | (13,274) | (3,093) |
| Loss before income tax | | | | | | (5,300,321) | (5,610,503) |
| Income tax expense | | | | | | - | - |
| Loss after income tax | | | | | | (5,300,321) | (5,610,503) |
| Segment Assets | 15,633,816 | 2,175,515 | 22,460,204 | 81,957 | (29,132,528) | 11,218,964 | 9,477,896 |
| Segment Liabilities | (792,630) | (6,933,156) | (26,548,491) | (9,594) | 32,883,226 | (1,400,645) | (16,124,393) |
| Net Assets | 14,841,186 | (4,757,639) | (4,088,287) | 72,363 | 3,750,696 | 9,818,319 | (6,646,497) |
| Purchase of non-current assets | 1,384,606 | - | 1,608,313 | - | - | 2,992,919 | - |
| Depreciation and amortisation | 1,356 | 74,969 | 15,174 | - | - | 91,499 | 232,516 |
| Impairment of investments and receivables | 18,557,559 | - | 516,047 | - | (19,073,606) | - | - |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 27: RELATED PARTY TRANSACTIONS

| | Consolidated Group | | Parent Entity | |
|--|--------------------|---------|---------------|---------|
| | 2009 | 2008 | 2009 | 2008 |
| | \$ | \$ | \$ | \$ |
| 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. | 194,670 | 127,321 | 194,670 | 127,321 |
| Legal fees paid to Solomon Brothers, a firm of which Mr GH Solomon and Mr DH Solomon are partners. | 32,174 | 11,430 | 32,174 | 11,430 |
| Consulting fees paid to Cascade Corporation Pty Ltd, a company in which Mr A Leibovitch has an interest | 34,547 | 47,700 | 34,547 | 47,700 |
| Consulting fees paid to Clearer Sky Pty Ltd, a company in which R Beresford has an interest | - | 17,465 | - | 17,465 |
| Interest-free loan to Mr G Egan, repayable on demand. | - | 44,967 | - | - |

During the year the Company issued 750,000 \$1.00 convertible notes to Fission Energy Ltd ("Fission") with interest payable at 10%pa payable monthly in arrears, secured over all the assets of Eden (excl Eden Hydrogen Inc and Eden Cryogenics LLC) and convertible at the election of the noteholder. In addition it was agreed that Eden would issue Fission with 5,000,000 options in Eden, each to acquire one share, at an exercise price of 10 cents at any time on or before 31 December 2011. The notes were repaid in full on 27 February 2009.

NOTE 28: DISCONTINUED OPERATIONS

In October 2008, the Company announced its decision to dispose of the businesses of Eden Hydrogen, Cryogenic Technical Services and Eden Cryogenics and that a conditional agreement was entered into to sell these businesses. On 6 January 2009 this sale was settled, with effective control passing on 1 January 2009.

During the year Brehon Far East Pte Ltd, Brehon Australasia Pty Ltd and Hydrogen China BVI Ltd were wound up as they were dormant.

The financial information relating to the discontinued operations to the date of sale is set out below and at Note 26.

The financial performance of the discontinued operations to the date of sale which is included in the loss from discontinued operations per the income statement is as follow:

| | Consolidated Group | |
|------------------------------------|--------------------|-------------|
| | 2009 | 2008 |
| | \$ | \$ |
| Revenue | 854,432 | 3,658,659 |
| Expenses | (5,599,620) | (9,269,162) |
| Loss before income tax | (4,745,188) | (5,610,503) |
| Income tax expense | - | - |
| Loss from discontinuing operations | (4, 745,188) | (5,610,503) |

The net cash flows of the discontinuing operations which have been incorporated into the statement of cashflows are as follows:

| | | |
|---|-------------|--------------|
| Net cash outflow from operating activities | (3,598,168) | (8,345,214) |
| Net cash outflow from investing activities | (129,841) | (2,167,734) |
| Net cash outflow from financing activities | - | - |
| Net cash inflow/(outflow) by the discontinuing operations | (3,728,009) | (10,512,948) |

Loss on sale of the operations is included in loss on sale of subsidiaries per the income statement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 29: SHARE-BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2009:

On 14 August 2006, 950,000 share options exercisable at \$0.25 at any before 30 August 2009 were granted for nil consideration to employees under the Eden Employee Share Option Plan ("ESOP"), a summary of the ESOP included in the Prospectus. At 30 June 2009 800,000 had lapsed.

On 19 March 2007, 500,000 share options exercisable at \$0.585 at any before 5 April 2012 were granted for nil consideration to employees under the Eden Employee Share Option Plan ("ESOP"), a summary of the ESOP included in the Prospectus.

On 15 May 2007, 1,500,000 share options exercisable at \$0.70 at any before 7 May 2010 were granted for nil consideration to two directors under the terms of their engagement.

On 15 May 2007, 1,650,000 share options exercisable at \$0.685 at any before 15 May 2010 were granted for nil consideration to employees under the Eden Employee Share Option Plan ("ESOP"), a summary of the ESOP included in the Prospectus.

On 29 April 2008, 886,763 share options exercisable at \$0.20 at any before 30 September 2009 and 1,079,083 shares were granted for nil consideration to employees under an Equity Incentive Package included in Employment Contracts for three employees. A summary of these Employment contracts was included in the Prospectus.

On 23 December 2008, 1,475,000 share options exercisable at \$0.685 at any before 15 May 2011 were granted for nil consideration to employees under the Eden Employee Share Option Plan ("ESOP"), a summary of the ESOP included in the Prospectus.

On 23 December 2008, 500,000 share options exercisable at \$0.385 at any before 26 May 2013 were granted for nil consideration to employees under the Eden Employee Share Option Plan ("ESOP"), a summary of the ESOP was included in the Prospectus.

On 23 December 2008, 50,000 share options exercisable at \$0.31 at any before 25 March 2011 were granted for nil consideration to employees under the Eden Employee Share Option Plan ("ESOP"), a summary of the ESOP was included in the Prospectus.

On 20 April 2009, 886,763 share options exercisable at \$0.20 at any before 30 September 2009 and 1,017,083 shares were granted for nil consideration to employees under an Equity Incentive Package included in Employment Contracts for three employees A summary of these Employment contracts was included in the Prospectus.

On 22 May 2009, 335,000 share options exercisable at \$0.20 at any before 14 May 2012 were granted for nil consideration to employees under the Eden Employee Share Option Plan ("ESOP"), a summary of the ESOP was included in the Prospectus.

The company also operates an Employee Share Scheme. When issued, the shares carry full dividend and voting rights.

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.

| | 2009 | | 2008 | |
|--|-------------------|------------------------------------|-------------------|------------------------------------|
| | Number of Options | Weighted Average Exercise Price \$ | Number of Options | Weighted Average Exercise Price \$ |
| Outstanding at the beginning of the year | 8,252,190 | 0.43 | 7,365,427 | 0.46 |
| Granted | 3,246,763 | 0.45 | 886,763 | 0.20 |
| Lapsed | (1,100,000) | 0.37 | - | - |
| Outstanding at year-end | 10,398,953 | 0.45 | 8,252,190 | 0.43 |
| Exercisable at year-end | 9,798,953 | 0.44 | 7,952,190 | 0.41 |

The options outstanding at 30 June 2009 had a weighted average exercise price of \$0.45, with exercise prices ranging from \$0.20 to \$0.70 and a weighted average remaining contractual life of 2.28 years.

The weighted average fair value of the options granted during the year was \$0.074.

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future volatility, 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 2009. Included under employee benefits expense in the statement is \$240,814 (2008: \$199,167).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 29: SHARE-BASED PAYMENTS CONTINUED

This price was calculated by using either market price where available or a Black-Scholes option pricing model applying the following inputs:

| | |
|-------------------------------------|-------------------|
| Weighted average exercise price | \$0.45 |
| Weighted average life of the option | 2.28 years |
| Underlying share price | \$0.069 - \$0.082 |
| Expected share price volatility | 80% |
| Risk free interest rate | 3.50% |

NOTE 30: FINANCIAL INSTRUMENTS

a. Financial Risk Exposures and Management

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

i. 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 | |
|-------------------|---------------------------|------------------|----------------------|----------------|
| | 2009 | 2008 | 2009 | 2008 |
| | \$ | \$ | \$ | \$ |
| 12 months or less | 1,430,920 | 3,864,790 | 1,076,228 | 792,629 |
| 1 year or more | - | 52,509 | - | - |
| Total | 1,430,920 | 3,917,299 | 1,076,228 | 792,629 |

ii. 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.

iii. Foreign currency risk

The group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the group's measurement currency.

iv. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The group's minimal exposure to interest rate risk, the only asset / liability affected by changes in market interest rates is Cash and cash equivalents.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 31: EVENTS AFTER THE BALANCE SHEET DATE

On 28 September 2009 Eden entered into an agreement with Origin Energy Ltd ("Origin"), for Origin to farm-in to Eden's Cooper Basin Geothermal Licence No. 185 in South Australia, conditional to approval by the South Australian Government. Origin will pay \$1 million cash and will bear the first \$500,000 of expenditure on the licence to earn a 70% interest.

Other than the above, there were no material events occurring after the balance sheet date.

NOTE 32: 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

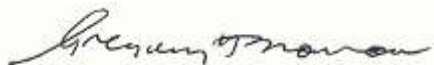
DIRECTORS' DECLARATION

DIRECTORS' DECLARATION

The directors declare that:

1. 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.
2. in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act and Regulations 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company and of the Group for the financial year ended 30 June 2009;
3. the directors have been given the declarations required by S.295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to read "Gregory H Solomon", is written on a light yellow rectangular background.

Gregory H Solomon
Chairman

Dated this 29th day of September 2009

10 Kings Park Road
West Perth WA 6005
PO BOX 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E admin@gtwa.com.au
W www.grantthornton.com.au

**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 (the company), which comprises the balance sheet as at 30 June 2009, 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

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.

Independence

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

Auditor's opinion

In our opinion:

- 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 2009 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 financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Significant uncertainty regarding the carrying value of intangible assets and receivables from subsidiaries

Without qualification to the above opinion attention is drawn to the following matter. As disclosed in Notes 9 and 16 to the financial statements, within non-current assets, the company has receivables from subsidiaries and the consolidated entity has intellectual property with carrying values as at 30 June 2009 of \$9,073,294 and \$9,168,119 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. Key estimates include the number of installed stations increasing in the first few years until expected capacity is reached and thereafter remaining constant, based on market penetration and the consolidated entity's ability to source additional capital injections in the future to enable the further development of the intellectual property. The estimates and assumptions within the value in use calculation have a significant risk of being different to actual outcomes due to change in economic or market conditions and / or due to events beyond the control of management and hence there is significant uncertainty regarding the carrying value of the intangible assets and therefore the carrying value of the parent company's receivables from subsidiaries.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 21 of the directors' report for the year ended 30 June 2009. 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 Limited for the year ended 30 June 2009, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON (WA) PARTNERSHIP
Chartered Accountants



M J Hillgrove
Partner

Perth, 29 September 2009

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following additional information is required by the Australian Securities Exchange Ltd.

1. Shareholding as at 15 September 2009

a. Distribution of Shareholders

| Category (size of holding) | Number Ordinary |
|----------------------------|--------------------|
| 1 – 1,000 | 70 |
| 1,001 – 5,000 | 397 |
| 5,001 – 10,000 | 441 |
| 10,001 – 100,000 | 1,002 |
| 100,001 – and over | 186 |
| | 2,096 |

b. The number of shareholdings held in less than marketable parcels is 42.

c. The names of the substantial shareholders listed in the holding company's register as at 15 September 2009 are:

| Shareholder | Number Ordinary |
|--------------------------|--------------------|
| Tasman Resources Ltd | 35,121,988 |
| Ganesha Nominees Pty Ltd | 21,397,154 |

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.

e. 20 Largest Shareholders — Ordinary Shares

| Name | Number of Shares | % Issued Capital |
|---|---------------------|---------------------|
| 1. Noble Energy Limited | 33,368,645 | 18.389% |
| 2. Ganesha Nominees Pty Ltd | 20,678,111 | 11.396% |
| 3. Citicorp Nominees Pty Ltd | 10,531,438 | 5.804% |
| 4. Mr Philip Rogerson & Mrs Kathryn Rogerson | 4,759,573 | 2.623% |
| 5. Top Energy Pty Ltd | 4,352,846 | 2.399% |
| 6. Arkenstone Pty Ltd <G H Solomon Family Inv A/c> | 3,231,299 | 1.781% |
| 7. March Bells Pty Ltd | 3,001,302 | 1.654% |
| 8. Mr Roger Marmaro | 2,095,840 | 1.155% |
| 9. Coote Energy Pty Ltd | 2,000,000 | 1.102% |
| 10. Harbour Views No 1 Pty Ltd | 1,832,401 | 1.010% |
| 11. Noble Energy Ltd | 1,753,343 | 0.966% |
| 12. Yelrif Investments Pty Limited <Pension Fund A/c> | 1,500,000 | 0.827% |
| 13. Mr Justin Fulton | 1,446,013 | 0.797% |
| 14. Mr Wayne Kearney & Mrs Robyn Kearney <Kearney Super A/c> | 1,432,122 | 0.789% |
| 15. Mr Philip Rogerson & Mrs Kathryn Rogerson <The Rogerson Super Fund A/c> | 1,269,118 | 0.699% |
| 16. K & V Lamb Pty Ltd | 1,206,092 | 0.665% |
| 17. Mr William Behsman | 1,018,386 | 0.561% |
| 18. Mr Hermann Hamburger | 1,000,000 | 0.551% |
| 19. Mr Thomas Falvey | 1,000,000 | 0.551% |
| 20. Mr Richard Beresford <Beresford Family R/F A/c> | 1,000,000 | 0.551% |
| | 98,476,529 | 54.270% |

2. Optionholdings as at 15 September 2009

a. Distribution of Optionholders — \$0.20 Expiring 30 September 2009

| Category (size of holding) | Number Ordinary |
|----------------------------|-----------------|
| 1 – 1,000 | 2 |
| 1,001 – 5,000 | 159 |
| 5,001 – 10,000 | 95 |
| 10,001 – 100,000 | 306 |
| 100,001 – and over | 58 |
| | 620 |

b. 20 Largest Optionholders — \$0.20 Expiring 30 September 2009

| Name | Number of Shares | % Issued Capital |
|--|------------------|------------------|
| 1. Noble Energy Limited | 32,497,065 | 36.901 |
| 2. Ganesha Nominees Pty Ltd | 9,876,768 | 11.215 |
| 3. Citicorp Nominees Pty Ltd | 6,666,600 | 7.570 |
| 4. Top Energy Pty Ltd | 2,998,232 | 3.405 |
| 5. March Bells Pty Ltd | 2,550,058 | 2.896 |
| 6. Arkenstone Pty Ltd <G H Solomon Family Inv A/c> | 2,550,055 | 2.896 |
| 7. Miss Michelle Seagrott | 1,787,153 | 2.029 |
| 8. Mr Roger Marmaro | 1,651,933 | 1.876 |
| 9. Mr Anthony Ford | 970,049 | 1.102 |
| 10. Harbour Views No 1 Pty Ltd | 928,984 | 1.055 |
| 11. Mr Tiyi Wu | 850,000 | 0.965 |
| 12. Guy Le Page | 821,809 | 0.933 |
| 13. Guiting Liu | 821,809 | 0.933 |
| 14. Lynn Cheung | 821,809 | 0.933 |
| 15. Graham Bedford | 821,809 | 0.933 |
| 16. Mr Eugene Sien Deng Sia | 764,000 | 0.868 |
| 17. Gregory Solomon | 613,620 | 0.697 |
| 18. Douglas Solomon | 613,617 | 0.697 |
| 19. Mr John Natoli | 500,000 | 0.568 |
| 20. Jeremy Giles | 416,382 | 0.473 |
| | 69,521,752 | 78.944 |

3. Unquoted Securities – Options as at 15 September 2009

| Holder Name | Date of Expiry | Exercise Price | Number on issue | Number of holders |
|------------------------|------------------|----------------|-----------------|-------------------|
| Employee Share Options | 5 March 2012 | \$0.585 | 500,000 | 1 |
| Mr Richard Beresford | 7 May 2010 | \$0.70 | 750,000 | 1 |
| Mr Andrew Leibovitch | 7 May 2010 | \$0.70 | 750,000 | 1 |
| Employee Share Options | 13 May 2010 | \$0.685 | 1,000,000 | 13 |
| Employee Share Options | 15 May 2010 | \$0.685 | 650,000 | 15 |
| Employee Share Options | 25 March 2011 | \$0.31 | 50,000 | 1 |
| Employee Share Options | 15 May 2011 | \$0.685 | 1,475,000 | 25 |
| Numerous | 30 June 2011 | \$0.45 | 875,209 | 36 |
| RM Capital Pty Ltd | 30 June 2011 | \$0.45 | 351,791 | 1 |
| Fission Energy Limited | 31 December 2011 | \$0.10 | 5,000,000 | 1 |
| Employee Share Options | 14 May 2012 | \$0.20 | 335,000 | 13 |
| Employee Share Options | 26 May 2013 | \$0.385 | 500,000 | 1 |
| | | | 12,237,000 | 109 |

Tenement Schedule

| Country/State | Licence Type | Number | % Interest | Holder | Locality |
|---------------|--------------|---------|----------------------------------|----------------------|-------------------------|
| SA | GEL | 166 | 100 | Eden Energy Ltd | Lake Torrens East |
| SA | GEL | 167 | 100 | Eden Energy Ltd | Lake Torrens East |
| SA | GEL | 168 | 100 | Eden Energy Ltd | Lake Torrens East |
| SA | GEL | 169 | 100 | Eden Energy Ltd | Bollards Lagoon |
| SA | GEL | 175 | 100 | Eden Energy Ltd | Renmark Area |
| SA | GEL | 176 | 100 | Eden Energy Ltd | Renmark Area |
| SA | GEL | 185 | 100 | Eden Energy Ltd | Moomba |
| SA | GEL | 329 | 100 | Terratherma Ltd | Mulgaria |
| SA | GEL | 330 | 100 | Terratherma Ltd | Mulgaria |
| SA | GEL | 411-422 | 100 | Terratherma Ltd | Port Wakefield to Quorn |
| SA | PEL | 183 | 100 | Eden Energy Ltd | Marree |
| SA | PELA | 240 | 100 | Eden Energy Ltd | Marree |
| Wales, UK | PEDL | 100 | 5 ¹ , 50 ³ | Eden Energy (UK) Ltd | Pencoed - Port Talbot |
| Wales, UK | PEDL | 148 | 5 ² , 50 ³ | Eden Energy (UK) Ltd | Upper Neath Valley |
| Wales, UK | PEDL | 149 | 5 ² , 50 ³ | Eden Energy (UK) Ltd | Lower Neath Valley |
| Wales, UK | PEDL | 214 | 50 | Eden Energy (UK) Ltd | Swansea |
| Wales, UK | PEDL | 215 | 50 | Eden Energy (UK) Ltd | Neath |
| Wales, UK | PEDL | 216 | 50 | Eden Energy (UK) Ltd | Cowbridge |
| Wales, UK | PEDL | 217 | 50 | Eden Energy (UK) Ltd | Cowbridge |
| Wales, UK | PEDL | 218 | 5 ¹ , 50 ⁴ | Eden Energy (UK) Ltd | Pontypridd |
| Wales, UK | PEDL | 219 | 50 | Eden Energy (UK) Ltd | Cowbridge |
| Wales, UK | PEDL | 220 | 50 | Eden Energy (UK) Ltd | Pontypridd |
| England, UK | PEDL | 226 | 50 | Eden Energy (UK) Ltd | Bristol |
| England, UK | PEDL | 227 | 50 | Eden Energy (UK) Ltd | Bristol |
| England, UK | PEDL | 228 | 50 | Eden Energy (UK) Ltd | Bristol |
| England, UK | PEDL | 249 | 50 | Eden Energy (UK) Ltd | Ayleshan |
| England, UK | PEDL | 250 | 50 | Eden Energy (UK) Ltd | Ayleshan |
| England, UK | PEDL | 251 | 50 | Eden Energy (UK) Ltd | Deal |
| England, UK | PEDL | 252 | 50 | Eden Energy (UK) Ltd | Deal |

¹ - 5% interest in the Westphalian Measures

² - Right to earn a 5% interest in the Westphalian Measures

³ - Right to earn a 50% interest in any other measures below the Westphalian Measures

⁴ - 50% interest in any other measures below the Westphalian Measures