EDEN ENERGY LTD

ANNUAL REPORT 2006

EDEN ENERGY LIMITED **ABN 58 109 200 900**
and Controlled Entities

CORPORATE DIRECTORY

DIRECTORS:

Gregory Howard Solomon **LLB** (Executive)
Douglas Howard Solomon **BJuris LLB (Hons)** (Non-Executive)
Guy Touzeau Le Page **B.A., B.Sc. (Hons).,M.B.A., ASIA., MAusIMM** (Non-Executive)
Gregory Joseph Egan **B.A.** (Non-Executive)

COMPANY SECRETARY:

Raymond F Buscall

REGISTERED OFFICE:

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2 The Esplanade
Perth
Western Australia 6000
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SOLICITORS:

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

Minter Ellison
1 King William Street
Adelaide SA 5000

AUDITORS:

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

SHARE REGISTRY:

Advance Share Registry Services
110 Stirling Highway
Nedlands WA 6009

STOCK EXCHANGE LISTING:

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

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

CORPORATE GOVERNANCE STATEMENT

Corporate Governance

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

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

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

The Board of Directors

Board Responsibilities

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

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

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

The primary responsibilities of the Board include:-

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

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

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

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

- The Company does not have a majority of independent directors;
- The Chairman of the Board is an executive director.

Board Committees

Remuneration Committee

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

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

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

Audit Committee

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

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

Nomination Committee

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

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

Independent Professional Advice

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

Ethical Standards

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

Specifically, that Directors, officers and employees must:-

- Comply with the law;
- Act in the best interests of the Company;
- Be responsible and accountable for their actions; and

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

Trading Policy

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

Continuous Disclosure

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

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

Risk Management

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

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

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

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

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

Code of Conduct

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

- Responsibilities to shareholders;
- Compliance with laws and regulations;
- Relations with customers and suppliers;
- Ethical responsibilities;
- Employment practices; and

CORPORATE GOVERNANCE STATEMENT

- Responsibilities to the environment and the community.

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

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

Communicating with Shareholders

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

Other Information

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

DIRECTORS' REPORT

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2006.

Directors

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

Gregory Howard Solomon

Douglas Howard Solomon

Guy Touzeu Le Page

Gregory Joseph Egan (Appointed 10 February 2006)

Graham Roland Bedford (Appointed 22 August 2005, Resigned 8 September 2006)

Mr Guiting Liu (Appointed 26 November 2004, Resigned 22 August 2005)

Mr Ta-Wei Chang (Appointed 11 July 2005, Resigned 5 August 2005)

Ms Sandy Lai (Appointed 11 July 2005, Resigned 5 August 2005)

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 Raymond F Buscall. Mr Buscall has worked for Eden Energy Ltd for the last 2 years since incorporation performing financial management roles of the business. Mr Buscall was appointed company secretary in May 2004.

Principal Activities

The principal activities of the economic entity during the financial year were:

- Eden Energy Ltd ("Eden") is a diversified energy company created to provide access to range of exciting new, clean green energy opportunities. Eden holds or is acquiring interests in:
  - hydrogen fuels, transport and storage;
  - coal bed/coal mine methane;
  - a conventional gas play; and
  - geothermal (deep heat mining) energy.

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

Operating Results

The consolidated loss of the economic entity after providing for income tax amounted to $1,740,474.

Dividends Paid or Recommended

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

Review of Operations

ASX LISTING

Following completion of an $8.4 million capital raising, Eden Energy Ltd ("Eden") was listed on the ASX on 6 June 2006.

The year ended 30 June 2006 saw significant progress in Eden's development. During the year, Eden completed a merger with Brehon Energy PLC ("Brehon"), in which Eden held a significant shareholding. Following this, Eden completed an $8.4million capital raising and was listed on the ASX on 6 June 2006. Eden owns or holds an interest in a range of projects which are detailed below.

Hydrogen and Hythane® (Eden 100%)

Brehon (which is now a wholly owned subsidiary of Eden) was established for the purpose of acquiring and developing a range of hydrogen related technologies for use in the emerging global transition from hydrocarbons as the primary energy source to hydrogen.

Global Transition to a Hydrogen Economy

There are five primary forces driving the worldwide push to transition from hydrocarbon to hydrogen as a primary fuel. These are:

1. Worldwide recognition that world oil production has already peaked, or within the next few years is likely to peak, and then decline with the prospect of ever increasing oil prices.
2. Increasing concern at escalating instability in the Middle East and national energy security risks associated with increasing dependence on Middle Eastern oil and gas.
3. Growing concern over global climate change and the desire to reduce pollutants and greenhouse gas emissions, with the resulting toughening of emission in many parts of the world.
4. Serious local air pollution in many cities around the world, particularly in developing countries such as China and India.
5. The emergence of Carbon Credit Trading.

These five factors, along with others, have lead to numerous initiatives by many governments and companies to facilitate the transition to a hydrogen economy. These initiatives include:

- USA – the federal government has allocated US $1.2 billion over five years to hydrogen research.
- An alliance of 12 US States has committed US $3.5 billion over ten years on research on alternate energies.
- Europe – the EU Commission allocated many hundreds of millions of Euros over ten years to fund hydrogen programs.
- USA, Canada, Japan, Germany, United Kingdom, Wales, Scotland and Iceland have all made significant hydrogen policy commitments.
- China and India have each committed significant funds to examining a range of hydrogen related projects, including Hythane®.
- Wales has established the Hydrogen Valley Initiative and Alternate Fuels Initiative.
- Canada has established a Hydrogen Highway Project from Vancouver to Whistler.
- California has a program for zero emission vehicles, and has established a Hydrogen Highway Project.
- EU has set strict emission standards to comply with Kyoto Treaty to be met by 2008 and 2012.
- Various other states and cities throughout the world have also committed funds for trialling hydrogen and Hythane® buses. For example, in Western Australia, $10,000,000 was committed to acquire and trial three hydrogen powered buses as part of a broader worldwide hydrogen fuel cell powered bus trial.

Transitional Strategy – Hythane®

Pure hydrogen can be used as a fuel in vehicles either by combining it with oxygen to produce electricity in fuel cells, storing the electricity and running the vehicles as electric vehicles, or alternatively injecting hydrogen directly into an internal combustion engine (in the same way that petrol is presently used) and burning it in the internal combustion engine.

Most vehicle manufacturers have been concentrating on the fuel cell alternative, although some have also been developing the internal combustion approach. However, due to various difficulties which are being encountered with various fuel cell projects, largely relating to the operating temperature and efficiency of the fuel cells and significant problems with on-board storage of a sufficient volume of hydrogen using compressed gas (which to date has been the preferred method), major vehicle manufacturers in several countries, along with other relevant industry players, are now considering potential use of Hythane® as an interim low emission transitional strategy.

Hythane®

Hythane® is a mixture of natural gas and hydrogen, usually 5-7% hydrogen by energy. Natural gas is generally about >90% methane, along with small amounts of ethane, propane, higher hydrocarbons, and "inerts" like carbon dioxide or nitrogen.

Hydrogen and methane are complimentary vehicle fuels in many ways. Methane has a relatively narrow flammability range that limits the fuel efficiency and oxides of nitrogen (NO_x) emissions improvements that are possible at lean air/fuel ratios.

The addition of even a small amount of hydrogen, however, extends the lean flammability range significantly. Methane has a slow flame speed, especially in lean air/fuel mixtures, while hydrogen has a flame speed about eight times faster. Methane is a fairly stable molecule that can be difficult to ignite, but hydrogen has an ignition energy requirement about 25 times lower than methane.

Finally, methane can be difficult to completely combust in the engine or catalyse in exhaust after treatment converters. In contrast, hydrogen is a powerful combustion stimulant for accelerating the methane combustion within an engine, and hydrogen is also a powerful reducing agent for efficient catalysis at lower exhaust temperatures.

Hythane® Marketing Progress

Continuing progress was made in the marketing of Hythane®, with significant advancement achieved in the US and India in particular.

1. Worldwide

Your Company began the year acquiring a 20% interest in Brehon Energy PLC ("Brehon") and a 49% interest in Brehon Far East Pte Ltd. Brehon holds the patents, trademarks and engineering knowledge for Hythane®. Brehon Far East holds the total marketing rights for the Asia/Pacific region for the Brehon technology.

During the December 2005 quarter, Eden Energy Ltd and Brehon Energy PLC were merged, and at the same time the share structure in Eden Energy Ltd was consolidated. There are a total of 76,081,993 shares on issue and a total of 65,379,165 options on issue. Eden Energy moved to 100% ownership of Brehon Energy PLC, following completion of the merger of these two companies. This gives Eden 100% ownership of the global Hythane® business, and of the cryogenic storage business.

A worldwide collaboration agreement was signed with Advanced Engine Components Ltd ("AEC") to cooperate on a non-exclusive basis with each party promoting the products and services of the other party.

AEC has its corporate and research headquarters in Perth and an office and assembly facility in Beijing, China. It undertakes research, development and supply of electronic fuel injection and engine management technologies to enable engines to be adapted to run on natural gas.

AEC supplies system components including engine controllers to Iveco (France), two major Chinese engine manufacturers, and is negotiating with another large Indian manufacturer.

Therefore, in addition to potentially generating revenue for Brehon, it is anticipated that this agreement with AEC will accelerate penetration of Hythane® into the very large Chinese and Indian markets. The agreement will also provide significant benefit to Brehon in Europe and other parts of the world.

2. USA

- In June 2006, Hythane Company was awarded in Denver, Colorado, the prestigious 2006 CSIA Apex award for 'Best Use of Technology for a Global Impact'.
- Further design work and preliminary fabrication was undertaken on the range of Hythane® related equipment that Hythane Co proposes to market.
- In the US, the factors driving the Hythane® market continued to strengthen, with rising oil prices and growing concern with emissions and global warming.
- Hythane Company continued discussions with several cities in California in relation to establishing Hythane® demonstration projects for bus fleets, with a view to then rolling out Hythane® as an ultra low emission vehicle fuel.

California introduces very strict emission standards in 2007, and there is a rapidly growing ground swell in that State for conversion to low emission fuels.

Meetings have occurred with the City of Barstow (with which a memorandum of understanding has been signed) and several other cities in both California and now also in northeast USA in relation to major Hythane® demonstration projects and several of these projects are now only awaiting funding.

Discussions with a major US engine manufacturer are progressing, with a view to undertaking a Hythane engine conversion on their engine. This Hythane engine would then be used in the proposed Hythane® demonstration projects during the second half of 2006.

3. India

Initial enquiries with various major relevant parties lead to active negotiations with various parties to undertake conversion of a range of Indian-manufactured engines to operate on Hythane®. These engines would then be tested and demonstrated in India. These negotiations are ongoing and are hoped to be completed in 2006.

It is hoped that this conversion will occur during the first half of 2007.

This will enable Hythane Company to undertake a major Indian Hythane® demonstration project as a forerunner to rolling out Hythane® on a broad-scale as a low emission fuel in Indian buses.

Many major Indian cities are converting to Natural Gas as a primary vehicle fuel due to significant smog problems. The Indian government has established a fund equivalent to USD $25 million to fund hydrogen and alternate fuel research, and Indian Oil Corporation, which is administering that fund, has already established a Hythane® refuelling station at its research and development centre near Delhi.

Negotiations also commenced with two major regional Natural Gas suppliers, with a view to securing one or more Hythane® bus demonstration projects in India during 2007.

4. China

Two Chinese CNG bus motors were sent from China to Hythane Company LLC in Denver, Colorado, USA.

The conversion of the Chinese-made Yuchai Natural Gas engine to operate on Hythane® was successfully completed at Brehon's Colorado facility. Following the conversion, the emissions from this engine were dramatically reduced, bringing the engine down to less than Euro IV emission levels. Specifically, the NO_x emissions were more than 50% less than the engine emitted when operating solely on Natural Gas. This Hythane® emission level ranks this engine amongst the lowest emission engines in the world.

Discussions continued in relation to returning the Chinese Yuchai Natural Gas engine from Denver to China for Chinese governmental certification and demonstration. This has been delayed whilst Brehon negotiates commercial arrangements for its ongoing participation in the Hythane® roll-out in China, which is anticipated to occur over the next two years.

Brehon's objective is to progressively have Hythane adopted as the fuel of choice throughout China for urban transit buses in lieu of Natural Gas following completion of a successful Demonstration Project. Upon this occurring, a very significant market in China for Hythane technology is anticipated to emerge over the next two to three years in the Chinese urban transit bus market, estimated to be well over 500,000 buses in aggregate.

Brehon is also awaiting the outcome of a tender submitted to the US Department of Energy ("DOE") to build a Hythane® refuelling station in Beijing as part of a DOE demonstration project for the 2008 Beijing Olympic Games.

Eden is also planning, in conjunction with AEC, to accelerate the marketing of Hythane® into the huge emerging Chinese Hythane® market over the next 6-12 months, targeting the three Chinese engine makers that utilise the AEC engine controllers.

5. Europe

Negotiations commenced in Europe for a series of projects, including:

- Providing a Brehon Hythane® blender for use in the first multi-fuel (hydrogen/natural gas/Hythane®/petrol/diesel) integrated service station being developed in Italy by ENI/ AGIP;
- Arranging mutual distribution rights with a leading Italian hydrogen equipment manufacturer for Brehon to market their equipment including a unit to produce hydrogen through electrolysis of water and that company to market Brehon's equipment in Italy; and,
- Supplying Hythane® technology for two proposed Hythane® demonstration projects in Europe.

6. Middle East

Agreement was reached with a party to act as a marketing agent for Hythane® in several Middle Eastern countries where significant interest has been shown in Hythane®.

Cryogenics

Cryogenic storage involves storage of substances at very low temperatures. It is a rapidly emerging market and has many applications in the fuel industry (for LNG, liquid hydrogen, cryogenic Hythane®), the food and drink industry (liquid nitrogen and carbon dioxide) and the semi-conductor industry (liquid CO_2).

Early in 2006, Eden's established a wholly owned subsidiary, Brehon Cryogenics LLC, to service this market and has received its first orders from NASA and a major US soft drink manufacturer to supply important custom designed cryogenic equipment components.

This division is headed by Steve Hensley, who has more than 30 years experience in the cryogenic valve and system industry. It builds on know-how developed on various NASA projects where cryogenic storage was used for liquid fuel storage in the space programme. Brehon has assembled a world-class team of cryogenic consultants and employees and some of the patent applications it holds have significant potential. For example, Brehon's patent application for Cryogenic Hythane®, using LNG and gaseous hydrogen is currently being developed for prototyping.

This cryogenic division is projected to be cashflow positive within the next six months, and will provide a strong platform from which the cryogenic research being conducted by Brehon can be undertaken.

New Patents and Technology

During the year, Brehon filed further patent applications, including a patent application for a unit for producing Hythane® directly from natural gas and in one single piece of equipment as well as several further strategic patents in its technology portfolio related to its hydrogen activities. Work commenced on developing a prototype for production and storage of Cryogenic Hythane® and discussions for testing and developing the superconducting magnetic energy storage system have commenced.

South Wales – Coalbed Methane/Coalmine Methane/Natural Gas (Eden earning 50%)

Eden has entered into three joint ventures with Welsh-based Coastal Oil and Gas Ltd and UK Methane Ltd.

The first two of these farm-in agreements will give Eden the right to acquire a 50% interest in methane sourced from the 430km2 area of three Petroleum Exploration and Development Licences (PEDL 100, 148 and 149) including:

- Coal Bed Methane (CBM) and/or;
- Coal Mine Methane ("CMM"); and/or
- Natural Gas ("NG"),

hosted by rocks of the Carboniferous Westphalian Measures of the South Wales coalfields.

A third farm-in agreement grants Eden the right to acquire a 50% interest (up to 60% if expenditure greater than £1 million) in a conceptual conventional oil/natural gas target hosted within Devonian-age sediments beneath the three licences.

The South Wales coalfield contains the most extensive areas of high gas content coal seams in Britain. Gas problems lead to many mine closures in the district. Whilst intensive underground coal mining will have considerably reduced the gas resource in South Wales, there remain considerable areas of unmined coal with the potential to supply CBM.

In association with its joint venture partner in Wales, the Company completed capture of compiled historical coal field data to digital format and finalised simplified geological models of target areas.

A range of CBM prospects were identified and permitting commenced for these sites. This permitting for all coal bed methane test well sites is now complete.

CBM exploitation is at a relatively immature stage in the UK compared to Australia and the USA. Consequently access to suitable contractors to complete the various stages of the exploration programme has been slow. However, suitable contractors for all phases of the initial test well programme, comprising:

- Drilling and coring the test wells;
- Gas Desorption testing;
- Wireline logging;
- Drill stem tests including permeability; and
- Data processing and modelling;

have now been identified, and contracts are now being finalised, though delays due to the limited availability of the contractors are causing the Company concern.

It is anticipated that the coal bed methane test well programme in South Wales will commence during the last quarter of 2006 and take 3-4 months to complete; with results becoming available in late 2006 or early 2007.

Testing of abandoned mine methane targets requires a smaller rig than necessary for the CBM test wells and a rig suitable for this work is available from Eden's South Wales partner. Permit applications for drilling these holes have been submitted to the regulatory authorities. Drilling of these holes is planned to begin in the next quarter.

These projects have the potential to produce a large amount of methane that is currently in great demand in the UK. In July 2004 when Eden entered into the Joint Venture, Natural Gas was selling in the UK at approximately 28 pence/therm. During the last northern winter, the UK Natural Gas price peaked at over 200 pence/therm and it is anticipated that a very strong market will continue for any gas that is produced from Eden's Welsh Joint Venture.

South Australian Gas Project (Eden 100%)

A large anticline with dimensions of approximately 10km in width and 100km in length has been identified by Eden Energy to form a conceptual Neoproterozoic gas exploration play in South Australia. Oil and gas are produced from sedimentary deposits of similar age in Oman, eastern Siberia and southern China.

The gas target was identified from a single line seismic survey conducted by Geoscience Australia (an Australian Government agency) which traversed mineral tenements held by Tasman Resources NL.

The "Arthur Hill Anticline" is a gentle fold interpreted to be comprised of Neoproterozoic sediments deposited on the Stuart Shelf adjacent to the Torrens Hinge Zone margin of the Adelaide Geosyncline. It is located 50km to the north east of the BHPB Olympic Dam copper-gold-uranium mine which is a large potential market for any natural gas which may be discovered.

"Bright spots" and "flat spots" identified in seismic reflection data within the anticline are potentially caused by gas pockets at approximately 2000m depth.

Eden Energy has applied for a Petroleum Exploration Permit of 7,614km^2 covering the anticline and its surrounds. For strategic reasons, Eden may divide the application into two separate licence applications covering the same total land area. If and when this licence (or one or both of the two separate licences, if that be the case) is granted, a stratigraphic hole will be drilled on the crest of the anticline to determine the geology below the anticline and to test the bright spot targets for natural gas.

If this untested structure contains hydrocarbons, the inferred size could result in a significant hydrocarbon deposit.

Eden is accelerating the "Right to Negotiate process," necessary for the grant of Petroleum Exploration Licence application 183. Positive discussions were held with the Native Title claimant group's lawyer and document preparation is underway. It is anticipated that a conjunctive agreement between Eden, the SA government and the Native Title claimant group will be achieved in the next 1-2 months, with the licence grant likely shortly thereafter.

Following the grant of the licence, Eden plans either alone or in joint venture with an as-yet unidentified partner, a slimline drill test of the primary gas target identified in the Arthur Hill anticline of the Mulgaria sub-basin as soon as an appropriate drill rig can be contracted.

The Arthur Hill anticline has a geophysical footprint of approximately 100km x 10km, which is large enough to potentially contain a very significant quantity of hydrocarbons.

Geothermal Exploration (Eden 100%)

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

Eden's geothermal programme in South Australia is based upon the extraction of heat from hot, deeply buried rocks, or reservoirs by the injection and subsequent recovery of circulating hot water via drill holes up to 4.5km deep. Heat is recovered at surface via heat exchangers and used to generate electricity using turbines. The strategy requires locating a heat reservoir that is of sufficient size and temperature (generally above about 220 degrees C), is amenable to fracturing to enable fluid circulation through it and is located within reasonable proximity to infrastructure to enable commercial development.

The temperature of the primary heat reservoir is critical. It depends upon the heat flow from deep levels within the earth's crust, the generation of additional heat from within the crust itself by the decay of radioactive minerals and the retention of heat in the reservoir by an overlying insulating blanket, ideally fine-grained sedimentary rocks up to three or four kilometres thick.

Most of the potential heat reservoirs identified in Australia are buried granites where much of the heat comes from the decay of small amounts of radioactive elements. Buried mineralised systems containing higher concentrations of these elements are potentially even more attractive targets for geothermal energy, and are likely to require a much thinner blanket of overlying rocks and thus be located at shallower depths.

Eden has identified five potentially viable project areas within South Australia, and been granted a total of eight geothermal licences covering these areas. The project areas include both granites and potential mineralised systems in a range of geological environments, and were selected having regard to proximity to infrastructure such as the SA state power grid.

The Tararra project, 50km northeast of Renmark, is located over a distinct crustal heat flow anomaly, with high rock temperatures likely at depth based on measurements from two nearby oil exploration wells. The proximity to the state power grid at Renmark enhances the commercial attractiveness of the project. The Renmark Trough contains significant sedimentary accumulations beneath the coal measures of the Murray Basin. At the same time significant thermal refraction can be expected with lateral equilibration of the graben contacts, a combination providing enhanced values of heat flow and local hot spots associated with deep bounding fractures and high permeability zones. Eden proposes to use available geophysical data as well as targeted acquisition of new data to identify potential sites for test drilling which would confirm the temperature gradient and stress regime and the suitability of the area for geothermal energy.

Eden's Cooper Basin project area (GEL 185, comprising $494km^2$) adjoins the geothermal licences held by Geodynamics Ltd which has to date drilled two deep holes (Habanera 1 and Habanera 2), each to a depth of more than 4km and have recovered hot water at temperatures in excess of 220°C.

Geodynamics Ltd is the leading developer of geothermal energy in Australia and their results to date are very significant for Eden, one of whose licences adjoins the Geodynamics licences and which is located on the same geological feature and consequently it is considered that most of the same geothermal characteristics can be expected.

Eden's West Well project area has targeted both deeply buried granites and a potentially very large mineralised system (possibly similar to the Olympic Dam copper-uranium deposit 100km to the west), at a depth of around 3-4km below surface. The state power grid is located 60km to the east at Leigh Creek. The area contains no effective deep drill holes, and all available geological information has been obtained from several shallow holes and regional geophysical surveys and interpretations. Eden initially plans to evaluate the project with further geophysical surveys and preliminary drilling to determine the temperature gradient, stress regime and geological sequence.

The remaining two project areas, Mungeranie and Bollards Lagoon are located over potential granitic heat reservoirs blanketed by thick sedimentary rocks, 270 km north and northeast respectively of Leigh Creek. The presence of buried granites, and the thickness and nature of the overlying sediments have been interpreted from geophysical data and limited information from oil wells. Eden's initial investigations will focus on reviewing and possibly reprocessing existing geophysical data, reviewing previous oil drilling information and preliminary test drilling to confirm temperature gradient and stress regime.

Eden has proposed a work programme for each project area for the next four to five years. Each is aimed at determining the suitability of the area for geothermal energy generation by a series of staged, technical and commercial investigations designed to minimise risk and expenditure during the work programme.

A comprehensive review of all available data for the five targets covered by Eden's tenements was completed. Recommended work programmes and strategies for progressing the targets were delivered.

A suitable drill rig to test the West Well anomaly was unable to be obtained as planned. Eden seeks to obtain heatflow data and assess the potential geothermal prospectivity of the West Well geophysical anomaly. Eden is planning to undertake a hole re-entry at the Witchelina Project (GELs 166,167,168) or if the re-entry fails then to drill a new hole at the West Well geophysical anomaly.

Eden has also begun planning a programme of shallow drilling at the Renmark Project (GELs 175 and 176) designed to produce an initial heatflow map for the region to aid further geothermal prospecting. A drill rig has been tentatively scheduled for late 2006.

Summary

Significant progress has been made during the year, particularly on the hydrogen/Hythane® projects and the Welsh methane project, and the company is hopeful that this will translate into firm contracts and major discoveries over the next 6-9 months.

Financial Position

The net assets of the economic entity have increased by $11,049,780 from 30 June 2005 to $14,823,156 in 2006. This increase has largely resulted from the following factors:

- Float of Eden Energy Ltd on the Australian Stock Exchange
- Acquisition of Brehon Energy PLC

The group's working capital, being current assets less current liabilities, has improved from $2,405,559 in 2005 to $6,424,480 in 2006.

The directors believe the group is in a strong and stable financial position to expand and grow its current operations.

Significant Changes in State of Affairs

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

(i) On 5 January 2006 the company issued 20,748,660 ordinary shares to shareholders of Brehon Energy PLC on the basis of 3.054 Eden shares for every 1 share held in Brehon Energy PLC together with 17,879,165 options to acquire one ordinary share in Eden on the basis of 2.63164 Eden options for every 1 share held in Brehon as settlement of the acquisition of Brehon Energy PLC by Eden.

(ii) On 5 January 2006 the company issued 3,333,333 ordinary shares to Tasman Resources NL in settlement of a loan due by Brehon to Tasman Resources NL.

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

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

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

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

(vii) On 31 May 2006, as a result of the completion of the capital raising pursuant to the prospectus dated 29 March 2006, a total of 41,948,000 ordinary fully paid shares were issued at 20 cents per share together with 20,974,000 free options to acquire shares at an exercise price of 20 cents per share on or before 30 September 2009. Eden Energy Limited ceased to be controlled by Tasman Resources NL from this date.

Adoption of Australian Equivalents to IFRS

As a result of the introduction of Australian equivalents to International Financial Reporting Standards (AIFRS), the company's financial report has been prepared in accordance with those Standards. A reconciliation of adjustments arising on the transition to AIFRS is included in Note 2 to this report.

After Balance Date Events

Issue of options on 14 August 2006 as part of Employees Share Option Plan:-

- 950,000 options issued free of charge to acquire 1 fully paid ordinary share in Eden;
- Exercisable on or before 30 August 2009 at exercise price of 25c.

Resignation of Director - Graham Roland Bedford 8 September 2006.

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

Future Developments, Prospects and Business Strategies

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

Environmental Issues

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

Information on Directors

Gregory Howard Solomon	—	Executive Chairman
Qualifications	—	**LLB**
Experience	—	Appointed chairman 2004. Board member since 2004. A solicitor with more than 30 years Australian and international experience in a wide range of areas including mining law, commercial negotiation (including numerous mining and exploration joint ventures) and corporate law. He is a partner in the Western Australian legal firm, Solomon Brothers and has previously held directorships of various public companies since 1984 including two mining/exploration companies.
Interest in Shares and Options	—	3,181,302 Ordinary Shares in Eden Energy Ltd and options to acquire a further 3,113,675 ordinary shares

Directorships held in other listed entities —	Current director of Tasman Resources NL since 1987.
Douglas Howard Solomon	Non-Executive
Qualifications	**BJuris LLB (Hons)**
Experience	Board member since May 2004. A Barrister and Solicitor with more than 20 years experience in the areas of mining, corporate, commercial and property law. He is a partner in the legal firm, Solomon Brothers.
Interest in Shares and Options	3,001,302 Ordinary Shares in Eden Energy Ltd and options to acquire a further 3,113,675 ordinary shares
Directorships held in other listed entities	Current director of Director of Tasman Resources NL since 3 April 2003.
Guy Touzeau Le Page	Non-Executive
Qualifications	**B.A., B.Sc. (Hons).,M.B.A., ASIA., MAusIMM** Bachelor of Arts (University of Adelaide),Bachelor of Science (University of Adelaide), Masters Degree in Business Administration (University of Adelaide), Bachelor of Applied Science (Hons) (Curtin University of Technology), Graduate Diploma in Applied Finance and Investment (Securities Institute of Australia).
Experience	Board member since May 2004. Currently a corporate adviser specialising in resources. He is actively involved in a range of corporate initiatives from mergers and acquisitions, initial public offerings to valuations, consulting and corporate advisory roles. He previously spent 10 years as an exploration and mining geologist in Australia, Canada and the United States. His experience spans gold and base metal exploration and mining geology and he has acted as a consultant to private and public companies. This professional experience included the production of both technical and valuation reports for resource companies.
Interest in Shares and Options	821,809 options to acquire ordinary shares in Eden Energy Ltd
Directorships held in other listed entities	Current director of Director of Tasman Resources NL since February 2001.
Graham Roland Bedford	Non-Executive nominee of Top Energy Pty Ltd
Qualifications	**(F.R.A.I.A.)**
Experience	**Appointed director September 2005** **Resigned 8 September 2006** An Australian Architect with over 30 years experience in development and management of many major Governmental and private building projects in Australia and overseas. He has also helped establish broad business links with key Chinese business and government enterprises including the resources and energy markets
Interest in Shares and Options	821,809 options to acquire ordinary shares in Eden Energy Ltd
Directorships held in other listed entities	Current director of Director of Tasman Resources NL since February 2001.
Gregory Joseph Egan	Non-Executive

Qualifications	**B.A.**
Experience	**Appointed 10 February 2006**
	Mr Egan attended the Graduate School of Applied Science and Business at New York University after completing a Bachelor of Arts degree in Fine Arts. He has over 25 years experience in all aspects of hydrogen program development, marketing and sales experience at various companies including Ergenics (INCO) and Supercritical Thermal Systems, and 10 years experience as marketing manager of Hydrogen Consulting Inc where Hythane® was developed and patented. During his career he has developed a range of cryogenic metal hybrid hydride alloys and other storage systems. He has also participated in the development of hydrogen liquefiers, storage systems and other devices for NASA. Mr Egan is also CEO of Brehon Energy plc, which is a wholly owned subsidiary of Eden and which develops and markets the hydrogen related technology.
Interest in Shares and Options	7,635,005 Ordinary Shares in Eden Energy Ltd and options to acquire a further 6,579,100 ordinary shares
Directorships held in other listed entities	None

REMUNERATION REPORT

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

Remuneration policy

The remuneration policy of Eden Energy Ltd 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 economic entity's financial results. The board of Eden Energy Ltd 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 economic entity, as well as create goal congruence between directors, executives and shareholders.

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

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

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

All directors and executives receive a superannuation guarantee contribution where 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. Any shares which may be issued to executives would be valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes methodology. No shares were issued to directors or executives during the year ended 30 June 2006. 1,500,000 options were issued to Graham Roland Bedford under the Employee Share Option Plan.

The board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the economic entity. 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.

Details of remuneration for year ended 30 June 2006

The remuneration for each director and each of the executive officers of the consolidated entity during the year was as follows:

	Salary, Fees and Commi-ssions *	Super-annuation Contri-bution	Cash Bonus	Non-cash Benefits	Options	Total	Performance related
	$	$	$	$	$	$	%
Directors							
Gregory Howard Solomon	229,226	13,500	-	-	-	242,726	-
Douglas Howard Solomon	24,000	2,160	-	-	-	26,160	-
Guy Touzeau Le Page	24,000	2,160	-	-	-	26,160	-
Graham Roland Bedford	20,581	1,672	-	-	450	22,703	-
Gregory Joseph Egan	150,548	-	-	-	-	150,548	-
Guiting Liu	3,419	-	-	-	-	3,419	-
	451,774	19,492	-	-	450	471,716	-
Specified Executives							
Roger Marmaro	121,728	-	-	-	-	121,728	-
	121,728	-	-	-	-	121,728	-

* Includes amounts paid from the subsidiaries of Eden Energy Limited from the date Eden Energy Limited gained control.

Performance income as a proportion of total remuneration

No directors or executives are paid performance based bonuses.

Options issued as part of remuneration for the year ended 30 June 2006

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

	Granted No.	Options Granted as Part of Remune-ration	Total Remune-ration Repre-sented by Options	Options Exercised	Options Lapsed	Total
		$	%	$	($)	$
Directors						
Graham Roland Bedford	1,500,000	450	2.0	-	-	450
	1,500,000	450	2.0	-	-	450

All options were granted for nil consideration.

Meetings of Directors

During the financial year, 6 meetings of directors were held. Attendances by each director during the year were as follows:

DIRECTORS' REPORT

Directors' Meetings

	Number eligible to attend	Number attended
Gregory Howard Solomon	6	6
Douglas Howard Solomon	6	6
Guy Touzeau Le Page	6	6
Graham Roland Bedford	4	2
Gregory Joseph Egan	2	2
Guiting Liu	2	2

Indemnifying Officers or Auditors

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

The company has paid premiums 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.

Options

At the date of this report, the unissued ordinary shares of Eden Energy Ltd 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	20,974,000
14 August 2006	30 September 2009	$0.25	950,000
			87,803,165

During the year ended 30 June 2006, no ordinary shares of Eden Energy Ltd were issued on the exercise of options granted under the Eden Energy Ltd Employee Option Plan.

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

Proceedings on Behalf of Company

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

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

Non-audit Services

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

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

DIRECTORS' REPORT

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2006:

	$
Taxation services	Nil
Independent accountants report	7,000
Other	10,000
	7,000

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2006 has been received and can be found on page 20.

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

Gregory H Solomon
Director

Dated this 29th day of September 2006

CHARTERED
ACCOUNTANTS
& BUSINESS
ADVISORS

A MEMBER OF
MOORES ROWLAND
INTERNATIONAL

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Thinking ahead

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AUDITORS' INDEPENDENCE DECLARATION
Under Section 307C of the Corporations Act 2001

To the Directors of Eden Energy Limited

I declare that, to the best of my knowledge and belief during the year ended 30 June 2006, there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

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

BENTLEYS MRI PERTH PARTNERSHIP

M J HILLGROVE
Partner

29 September 2006

West Perth, WA

INCOME STATEMENT FOR YEAR ENDED 30 JUNE 2006

	Note	Economic Entity		Parent Entity	
		2006	**2005**	**2006**	**2005**
		$	**$**	**$**	**$**
Revenue	3	184,348	24,685	64,268	24,685
Cost of sales	4	(100,312)	-	-	-
Impairment of investment in subsidiary		-	-	(1,194,555)	-
Impairment of investment in associates		-	(281,556)	-	(281,556)
Employee benefits expense		(907,085)	(87,088)	(334,061)	(87,088)
Exploration expenditure written off		-	(225)	-	(225)
Depreciation and amortisation expense		(32,889)	-	-	-
Impairment of property plant and equipment		(2,762)	-	-	-
Finance costs		(4,665)	-	-	-
Marketing expenses		(137,470)	-	-	-
Administration expenses		(669,846)		(210,926)	
Other expenses		(69,793)	(132,885)	(65,200)	(132,885)
Profit/(loss) before income tax	4	(1,740,474)	(477,069)	(1,740,474)	(477,069)
Income tax expense	5	-	-	-	-
Loss from continuing operations		(1,740,474)	(477,069)	(1,740,474)	(477,069)
Loss attributable to members of the parent entity	2	(1,740,474)	(477,069)	(1,740,474)	(477,069)
Basic earnings per share (cents per share)	8	(1.9737)	(0.9233)	(1.9737)	(0.9233)

The accompanying notes form part of these financial statements.

EDEN ENERGY LIMITED **ABN 58 109 200 900**
and Controlled Entities

BALANCE SHEET AS AT 30 JUNE 2006

	Note	Economic Entity		Parent Entity	
		2006	2005	2006	2005
		$	$	$	$
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	9	6,930,339	2,289,658	6,532,091	2,289,658
Trade and other receivables	10	135,897	450,237	73,116	450,237
Inventories	11	27,510	-	-	-
Other current assets	19	35,651	-	-	-
TOTAL CURRENT ASSETS		7,129,397	2,739,895	6,605,207	2,739,895
NON-CURRENT ASSETS					
Trade and other receivables	10	54,191	-	2,773,152	-
Investments accounted for using the equity method	12	-	-	-	-
Financial assets	15	627,721	1,310,735	5,797,396	1,310,735
Property, plant and equipment	17	290,463	-	-	-
Intangible assets	18	7,450,282	-	-	-
Other non-current assets	19	176,635	57,082	176,635	57,082
TOTAL NON-CURRENT ASSETS		8,599,292	1,367,817	8,747,183	1,367,817
TOTAL ASSETS		15,728,689	4,107,712	15,352,390	4,107,712
CURRENT LIABILITIES					
Trade and other payables	20	662,789	334,336	529,234	334,336
Short-term borrowings	21	42,128	-	-	-
TOTAL CURRENT LIABILITIES		704,917	334,336	529,234	334,336
NON-CURRENT LIABILITIES					
Trade and other payables	20	130,941	-	-	-
Long-term borrowings	21	69,674	-	-	-
TOTAL NON-CURRENT LIABILITIES		200,615	-	-	-
TOTAL LIABILITIES		905,533	334,336	529,234	334,336
NET ASSETS		14,823,156	3,773,376	14,823,156	3,773,376
EQUITY					
Issued capital	22	17,014,429	4,224,625	17,014,429	4,224,625
Reserves	23	26,270	25,820	26,270	25,820
Retained earnings		(2,217,543)	(477,069)	(2,217,543)	(477,069)
TOTAL EQUITY		14,823,156	3,773,376	14,823,156	3,773,376

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2006

Economic Entity

	Note	Share Capital			
		Ordinary	Option Reserve	Accumulated Losses	Total
		$	$	$	$
Balance at 1 July 2004	2	1	-	-	1
Loss attributable to members of parent entity		-	-	(477,069)	(477,069)
Shares issued during the year		4,250,444	-	-	4,250,444
Option reserve on recognition of bonus element of options		(25,820)	25,820		
Balance at 30 June 2005		4,224,625	25,820	(477,069)	3,773,376
Shares issued during the year		13,608,674	-	-	13,608,674
Share issue costs		(818,870)	-	-	(818,870)
Issue of options		-	450	-	450
Loss attributable to members of parent entity		-	-	(1,740,474)	(1,740,474)
Balance at 30 June 2006		17,014,429	26,270	(2,217,543)	14,823,156

Parent Entity

	Note	Share Capital			
		Ordinary	Option Reserve	Accumulated Losses	Total
		$	$	$	$
Balance at 1 July 2004	2	1	-	-	1
Profit/(loss) attributable to members of parent entity		-	-	(477,069)	(477,069)
Shares issued during the year		4,250,444	-	-	4,250,444
Revaluation increment/(decrement)		(25,820)	25,820	-	-
Balance at 30 June 2005		4,224,625	25,820	(477,069)	3,773,376
Shares issued during the year		13,608,674	-	-	13,608,674
Share issue costs		(818,870)	-	-	(818,870)
Issue of options		-	450	-	450
Profit/(loss) attributable to members of parent entity		-	-	(1,740,474)	(1,740,474)
Balance at 30 June 2006		17,014,429	26,270	(2,217,543)	14,823,156

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT FOR YEAR ENDED 30 JUNE 2006

	Note	Economic Entity 2006 $	Economic Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		102,979	-	-	-
Payments to suppliers and employees		(1,925,025)	(199,593)	(590,285)	(199,593)
Interest received		64,268	24,685	64,268	24,685
Finance costs		(4,665)	-	-	-
Goods and Services Tax refunds		33,669	21,794	33,669	21,794
Bonds on Tenements		(50,000)	-	(50,000)	-
Net cash provided by (used in) operating activities	27a	(1,778,774)	(153,114)	(542,348)	(153,114)
CASH FLOWS FROM INVESTING ACTIVITIES					
Exploration expenditure		(113,595)	(33,156)	(113,595)	(33,156)
Purchase of property, plant and equipment		(6,678)	-	-	-
Purchase of intangibles		(11,237)	-	-	-
Loans to associated entities		(20,795)	(431,751)	-	(431,751)
Loans to controlled entities		-	-	(1,616,493)	-
Loans from associated entities			249,525	(20,794)	249,525
Loans other		(38,367)	-	-	-
Investment in associated entities		-	(1,341,308)	-	(1,341,308)
Investment in joint venture		(347,176)	(250,983)	(347,176)	(250,983)
Payment for subsidiary, net of cash acquired	27b	(1,255,362)	-	(1,373,042)	-
Net cash provided by (used in) investing activities		(1,793,210)	(1,807,673)	(3,471,100)	(1,807,673)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		9,014,600	4,400,000	9,014,600	4,400,000
Share issue costs		(780,682)	(149,556)	(758,719)	(149,556)
Repayment of borrowings		(21,253)	-	-	-
Net cash provided by (used in) financing activities		8,212,665	4,250,444	8,255,881	4,250,444
Net increase in cash held		4,640,681	2,289,657	4,242,433	2,289,657
Cash at beginning of financial year		2,289,658	1	2,289,658	1
Cash at end of financial year	9	6,930,339	2,289,658	6,532,091	2,289,658

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

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, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers the economic entity 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 comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

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

Basis of Preparation

First-time Adoption of Australian Equivalents to International Financial Reporting Standards

Eden Energy Limited and controlled entities, and Eden Energy Limited as an individual parent entity have prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS) from 1 July 2005.

In accordance with the requirements of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to the parent entity and consolidated entity accounts resulting from the introduction of AIFRS have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These consolidated accounts are the first financial statements of Eden Energy Limited to be prepared in accordance with Australian equivalents to IFRS.

The accounting policies set out below have been consistently applied to all years presented. The parent and consolidated entities have however elected to adopt the exemptions available under AASB 1 relating to AASB 132: Financial Instruments: Disclosure and Presentation, and AASB 139: Financial Instruments: Recognition and Measurement. Refer to Note 33 for further details on changes in accounting policy.

Reconciliations of the transition from previous Australian GAAP to AIFRS have been included in Note 2 to this report.

Reporting Basis and Conventions

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

Accounting Policies

a. **Principles of Consolidation**

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

A list of controlled entities is contained in Note 16 to the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of 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 economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

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

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.

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

c. **Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs. Refer to Note 32 for further details on changes in accounting policy.

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

d. **Property, Plant and Equipment**

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

Plant and equipment

Plant and equipment are measured on the cost basis.

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

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

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

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

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

Depreciation

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

The depreciation rates used for each class of depreciable assets are:

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

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

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

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

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

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

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

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

f. **Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the economic entity, 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.

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

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

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

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

g. **Financial Instruments**

Recognition

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

Financial assets at fair value through profit and loss

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

Loans and receivables

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

Available-for-sale financial assets

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

Financial liabilities

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

Fair value

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

Impairment

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

h. **Impairment of Assets**

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

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

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

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

i. **Investments in Associates**

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

j. **Interests in Joint Ventures**

The economic entity'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 economic entity's interests are shown at Note 14.

k. **Intangibles**

Goodwill

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

Research and development

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

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

l. **Foreign Currency Transactions and Balances**

Functional and presentation currency

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

Transaction and balances

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

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

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

Group companies

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

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

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

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

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

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

m. **Employee Benefits**

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

Equity-settled compensation

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

n. **Cash and Cash Equivalents**

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

o. **Revenue**

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

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

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

p. **Borrowing Costs**

All borrowing costs are recognised in income in the period in which they are incurred.

q. **Goods and Services Tax (GST)**

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

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

r. **Comparative Figures**

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

Critical Accounting Estimates and Judgments

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

Key Estimates — Impairment

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

No impairment has been recognised in respect of goodwill for the year ended 30 June 2006.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

	Note	Previous GAAP at 1 July 2004	Effect of Transition to AIFRS	AIFRS at 1 July 2004
		$	$	$
Economic Entity				
Reconciliation of Equity at 1 July 2004				
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		1	-	1
TOTAL CURRENT ASSETS		1	-	1
NON-CURRENT ASSETS				
Exploration expenditure		23,926	-	23,926
TOTAL NON-CURRENT ASSETS		23,926	-	23,926
TOTAL ASSETS		23,927	-	23,927
CURRENT LIABILITIES				
Trade and other payables		23,926	-	23,926
TOTAL CURRENT LIABILITIES		23,926	-	23,926
NET ASSETS		1	-	1
EQUITY				
Issued capital		1	-	1
Reserves		-	-	-
Parent interest		1	-	1
Minority equity interest		-	-	-
TOTAL EQUITY		1	-	1

	Note	Previous GAAP at 30 June 2005	Effect of Transition to AIFRS	AIFRS at 30 June 2005
		$	$	$
Reconciliation of Equity at 30 June 2005				
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		2,289,658	-	2,289,658
Trade and other receivables		450,237	-	450,237
TOTAL CURRENT ASSETS		2,739,895	-	2,739,895
NON-CURRENT ASSETS				
Investments accounted for using the equity method		1,310,735	-	1,310,735
Exploration expenditure		57,082	-	57,082
TOTAL NON-CURRENT ASSETS		1,367,817	-	1,367,817

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONT'D)

	Note	Previous GAAP at 30 June 2005	Effect of Transition to AIFRS	AIFRS at 30 June 2005
TOTAL ASSETS		4,107,712	-	4,107,712
CURRENT LIABILITIES				
Trade and other payables		334,336	-	334,336
TOTAL CURRENT LIABILITIES		334,336	-	334,336
NET ASSETS		3,773,376	-	3,773,376
EQUITY				
Issued capital		4,250,445	(25,820)	4,224,625
Reserves		-	25,820	25,820
Retained earnings		(477,069)	-	(477,069)
Parent interest		3,773,376	-	3,773,376
Minority equity interest		-	-	-
TOTAL EQUITY		3,773,376	-	3,773,376

	Note	Previous GAAP at 1 July 2004	Effect of Transition to AIFRS	AIFRS at 1 July 2004
		$	$	$
Parent Entity				
Reconciliation of Equity at 1 July 2004				
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		1	-	1
TOTAL CURRENT ASSETS		1	-	1
NON-CURRENT ASSETS				
Exploration expenditure		23,926	-	23,926
TOTAL NON-CURRENT ASSETS		23,926	-	23,926
TOTAL ASSETS		23,927	-	23,927
CURRENT LIABILITIES				
Trade and other payables		23,926	-	23,926
TOTAL CURRENT LIABILITIES		23,926	-	23,926
NET ASSETS		1	-	1
EQUITY				
Issued capital		1	-	1
Reserves		-	-	-
Retained earnings		-	-	-
TOTAL EQUITY		1	-	1

NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONT'D)

	Note	Previous GAAP at 30 June 2005	Effect of Transition to AIFRS	AIFRS at 30 June 2005
		$	$	$
Reconciliation of Equity at 30 June 2005				
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		2,289,658	-	2,289,658
Trade and other receivables		450,237	-	450,237
TOTAL CURRENT ASSETS		2,739,895	-	2,739,895
Other financial assets		1,310,735	-	1,310,735
Exploration expenditure		57,082	-	57,082
TOTAL NON-CURRENT ASSETS		1,367,817	-	1,367,817
TOTAL ASSETS		4,107,712	-	4,107,712
CURRENT LIABILITIES				
Trade and other payables		334,336	-	334,336
TOTAL CURRENT LIABILITIES		334,336	-	334,336
NET ASSETS		3,773,376	-	3,773,376
EQUITY				
Issued capital		4,250,445	(25,820)	4,224,625
Reserves		-	25,820	25,820
Retained earnings		(477,069)	-	(477,069)
TOTAL EQUITY		3,773,376	-	3,773,376

	Note	Previous GAAP	Effect of Transition to AIFRS	AIFRS
		2005	2005	2005
		$	$	$
Economic Entity				
Reconciliation of Profit or Loss for 2005				
Revenue		24,685	-	24,685
Employee benefits expense		(87,088)	-	(87,088)
Depreciation and amortisation expense		-	-	-
Exploration expenditure written off		(225)	-	(225)
Impairment of equity accounted investments		(281,556)	-	(281,556)
Other expenses		(132,885)	-	(132,885)
Profit before income tax expense		(477,069)	-	(477,069)
Income tax expense		-	-	-
Profit from continuing operations		(477,069)	-	(477,069)

NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONT'D)

	Note	Previous GAAP 2005 $	Effect of Transition to AIFRS 2005 $	AIFRS 2005 $
Profit/(loss) from discontinued operations		-	-	-
Profit for the year		(477,069)	-	(477,069)
Profit attributable to minority equity interest		-	-	-
Profit attributable to members of the parent entity		(477,069)	-	(477,069)

	Note	Previous GAAP 2005 $	Effect of Transition to AIFRS 2005 $	AIFRS 2005 $
Parent Entity				
Reconciliation of Profit or Loss for 2005				
Revenues		24,685	-	24,685
Employee benefits expense		(87,088)	-	(87,088)
Depreciation and amortisation expense		-	-	-
Exploration expenditure written off		(225)	-	(225)
Impairment of equity accounted investments		(281,556)	-	(281,556)
Other expenses		(132,885)	-	(132,885)
Profit before income tax expense		(477,069)	-	(477,069)
Income tax expense		-	-	-
Profit for the year		(477,069)	-	(477,069)
Profit attributable to members of the parent entity		(477,069)	-	(477,069)

	Note	30 June 2005 $	1 July 2004 $
Notes to the reconciliations of equity and profit and loss at 1 July 2004 and 30 June 2005			
a. Adjustment to reserves comprise:			
Economic Entity			
Option reserve of valuation of employee share options		25,820	-
Minority equity interest on above where applicable		-	-
Total		25,820	
Parent Entity			
Option reserve of valuation of employee share options		25,820	-
Total		25,820	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONT'D)

	Note	30 June 2005	1 July 2004

	$	$
b. An impairment loss amounting to $281,556 has been recognised under the AIFRS relating to investments accounted for using the equity method that have been written down to their recoverable amount. This loss has been recognised in the income statement for the year ended 30 June 2005.		

NOTE 3: REVENUE

	Note	Economic Entity		Parent Entity	
		2006	2005	2006	2005
		$	$	$	$
Operating activities					
— sale of goods		120,080	-	-	-
— interest received	3a	64,268	24,685	64,268	24,685
Total Revenue		184,348	24,685	64,268	24,685
Other Income					
a. Interest revenue from:					
— other persons		64,268	24,685	64,268	24,685
Total interest revenue		64,268	24,685	64,268	24,685

NOTE 4: LOSS FOR THE YEAR

	Note	Economic Entity		Parent Entity	
		2006	2005	2006	2005
		$	$	$	$
a. **Expenses**					
Cost of sales		110,312	-	-	-
Finance costs:					
— external		4,665	-	-	-
Total finance costs		4,665	-	-	-
Impairment of investment in controlled entity		-	-	1,194,555	-
Impairment of investment in associates		-	281,556	-	281,556
Foreign currency translation losses		197	-	-	-
Write-off of capitalised exploration expenditure		-	225	-	225
Research and development costs		40,865	-	40,865	-

NOTE 4: LOSS FOR THE YEAR (CONT'D)

b. **Significant Revenue and Expenses**

The following significant revenue and expense items are relevant in explaining the financial performance:				
Impairment of investment in subsidiary	-	-	(1,194,555)	-

NOTE 5: INCOME TAX EXPENSE

		Note	Economic Entity		Parent Entity	
			2006 $	2005 $	2006 $	2005 $
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% (2005: 30%)					
	— economic entity		(522,142)	(143,121)	-	-
	— parent entity		-	-	(522,142)	(143,121)
			(522,142)	(143,121)	(522,142)	(143,121)
	Add:					
	Tax effect of:					
	— other non-allowable items		239	249	239	249
	— share options expensed during year		135	-	135	-
	— Deferred tax assets not brought to account		521,768	142,872	521,768	142,872
	Income tax attributable to entity		-	-	-	-
	The applicable weighted average effective tax rates are as follows:		Nil%	Nil%	Nil%	Nil%
b.	Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1b occur					
	— temporary differences		(97,917)	7,135	(97,917)	7,135
	— tax losses:					
	– operating losses		248,625	142,872	248,625	142,872
			150,708	150,256	150,708	150,256

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION

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

Key Management Person	Position
Gregory Howard Solomon	Executive Chairman
Gregory Joseph Egan	Executive Director
Guy Touzeau Le Page	Non-Executive Director
Graham Roland Bedford	Non-Executive Director (resigned 8 September 2006)
Gregory Joseph Egan	Non-Executive Director
Guiting Liu	Non-Executive Director
Roger Marmaro	Manager of Brehon Energy PLC

b. **Compensation Practices**

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

The compensation 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.

c. **Key Management Personnel Compensation**

2006

Key Management Person	Short-term Benefits				Post-employment Benefits
	Cash, salary and commissions *	Cash profit share	Non-cash benefit	Other	Super-annuation
	$	$	$	$	$
Gregory Howard Solomon	229,226	-	-	-	13,500
Douglas Howard Solomon	24,000	-	-	-	2,160
Guy Touzeau Le Page	24,000	-	-	-	2,160
Graham Roland Bedford	20,581	-	-	-	1,672
Gregory Joseph Egan	150,548	-	-	-	-
Guiting Liu	3,419	-	-	-	-
Roger Marmaro	121,728	-	-	-	-
	573,502	-	-	-	19,492

* Includes amounts paid from the subsidiaries of Eden Energy Limited from the date Eden Energy Limited gained control.

Key Management Person	Other Long-term Benefits	Share-based Payment		Total	Performance Related
	Other	Equity	Options		
	$	$	$	$	%
Gregory Howard Solomon	-	-	-	242,726	-
Douglas Howard Solomon	-	-	-	26,160	-
Guy Touzeau Le Page	-	-	-	26,160	-
Graham Roland Bedford	-	-	450	22,703	-
Gregory Joseph Egan	-	-	-	150,548	-
Guiting Liu	-	-	-	3,419	-
Roger Marmaro	-	-	-	121,728	
	-	-	450	593,444	-

2005

Key Management Person	Short-term Benefits				Post-employment Benefits
	Cash, salary and commis-sions	Cash profit share	Non-cash benefit	Other	Super-annuation
	$	$	$	$	$
Gregory Howard Solomon	69,758	-	-	-	5,153
Douglas Howard Solomon	11,161	-	-	-	825
Guy Touzeau Le Page	11,161	-	-	-	824
Guiting Liu	11,161	-	-	-	-
	103,241	-	-	-	6,802

Key Management Person	Other Long-term Benefits	Share-based Payment		Total	Performance Related
	Other	Equity	Options		
	$	$	$	$	%
Gregory Howard Solomon	-	-	-	74,911	-
Douglas Howard Solomon	-	-	-	11,986	-
Guy Touzeau Le Page	-	-	-	11,985	-
Guiting Liu	-	-	-	11,161	-
	-	-	-	110,043	-

NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

d. **Compensation Options**

Options Granted As Compensation

	Vested No.	Granted No.	Grant Date	Value per Option at Grant Date $	Terms & Conditions for Each Grant: Exercise Price $	First Exercise Date	Last Exercise Date
Key Management Personnel							
Graham Roland Bedford	1,500,000	1,500,000	25/08/05	0.0003	0.20	25/08/05	30/09/09
	1,500,000	1,500,000					

The service and performance criteria set to determine compensation are included per Note 6(b) and Note 28.

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

All options were granted for nil consideration.

e. **Options and Rights Holdings**

Number of Options Held by Key Management Personnel

	Balance 1.7.2005	Granted as Compensation	Options Exercised	Net Change* Other
Gregory Howard Solomon	1,500,000	-	-	1,663,675
Douglas Howard Solomon	1,500,000	-	-	1,663,675
Guy Touzeau Le Page	1,500,000	-	-	(678,191)
Graham Roland Bedford	-	1,500,000	-	(678,191)
Gregory Joseph Egan	-	-	-	6,579,100
Guiting Liu	25,000,000	-	-	(11,303,192)
Roger Marmaro	-	-	-	1,096,617
Total	29,500,000	1,500,000	-	(1,656,507)

Number of Options Held by Key Management Personnel

	Balance 30.6.2006	Total Vested 30.6.2006	Total Exercisable 30.6.2006	Total Unexercisable 30.6.2006
Gregory Howard Solomon	3,163,675	3,163,675	3,163,675	-
Douglas Howard Solomon	3,163,675	3,163,675	3,163,675	-
Guy Touzeau Le Page	821,809	821,809	821,809	-
Graham Roland Bedford	821,809	821,809	821,809	-
Gregory Joseph Egan	6,579,100	6,579,100	6,579,100	-
Guiting Liu	13,696,808	13,696,808	13,696,808	-
Roger Marmaro	1,096,617	1,096,617	1,096,617	-
Total	29,343,493	29,343,493	29,343,493	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

*Includes options issued as a result of the restructure of Brehon Energy PLC as detailed in Note 22. Shareholders of Brehon Energy PLC received 2.63164 Eden Energy Limited options for every Brehon Energy PLC share held. Also includes the effect of the share consolidation on 19 December 2005, as detailed in Note 22.

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

f. **Shareholdings**

Number of Shares held by Key Management Personnel

	Balance 1.7.2005	Received as Compen-sation	Options Exercised	Net Change Other*	Balance 30.6.2006
Gregory Howard Solomon	-	-	-	3,101,302	3,101,302
Douglas Howard Solomon	-	-	-	3,001,302	3,001,302
Gregory Joseph Egan	-	-	-	7,635,005	7,635,005
Guiting Liu	47,000,000	-	-	(21,250,000)	25,750,000
Total	47,000,000	-	-	(7,512,391)	39,487,609

* Net Change Other refers to shares purchased or sold during the financial year or shares consolidated as a result of the restructure of Brehon Energy PLC as detailed in Note 22.

NOTE 7: AUDITORS' REMUNERATION

	Economic Entity		Parent Entity	
	2006 $	2005 $	2006 $	2005 $
Remuneration of the auditor of the parent entity for:				
— auditing or reviewing the financial report	7,000	19,350	7,000	14,350
— Investigating accountants report	7,000	-	7,000	-
— Other	10,000	1,000	10,000	1,000

NOTE 8: EARNINGS PER SHARE

	Economic Entity	
	2006 $	2005 $
a. Reconciliation of earnings to profit or loss		
Profit/(loss)	(1,740,474)	(477,069)
Profit/(loss) attributable to minority equity interest	-	-
Earnings used to calculate basic EPS	(1,740,474)	(477,069)
Dividends on converting preference shares	-	-
Earnings used in the calculation of dilutive EPS	(1,740,474)	(477,069)

NOTE 8: EARNINGS PER SHARE

b.	Reconciliation of earnings to profit or loss from continuing operations		
	Profit from continuing operations	(1,740,474)	(477,069)
	Profit attributable to minority equity interest in respect of continuing operations	-	-
	Earnings used to calculate basic EPS from continuing operations	(1,740,474)	(477,069)
	Dividends on converting preference shares	-	-
	Earnings used in the calculation of dilutive EPS from continuing operations	(1,740,474)	(477,069)
c.	Reconciliation of earnings to profit or loss from discontinuing operations		
	Profit from discontinuing operations	-	-
	Profit attributable to minority equity interest	-	-
	Earnings used to calculate basic EPS from discontinuing operations	-	-
		No.	**No.**
d.	Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	88,183,072	51,668,494
	Weighted average number of options outstanding	-	-
	Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	88,183,072	51,668,494

e. Diluted earnings per share is not reflected for discontinuing operations as the result is anti-dilutive in nature

NOTE 9: CASH AND CASH EQUIVALENTS

	Note	Economic Entity		Parent Entity	
		2006	**2005**	**2006**	**2005**
		$	**$**	**$**	**$**
Cash at bank		6,929,611	2,289,157	6,531,590	2,289,157
Cash in hand		728	501	501	501
		6,930,339	2,289,658	6,532,091	2,289,658
Reconciliation of cash					
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:					
Cash and cash equivalents		6,930,339	2,289,658	6,532,091	2,289,658
Bank overdrafts		-	-	-	-
		6,930,339	2,289,658	6,532,091	2,289,658

NOTE 10: TRADE AND OTHER RECEIVABLES

	Note	Economic Entity		Parent Entity	
		2006	2005	2006	2005
		$	$	$	$
CURRENT					
Trade receivables		17,143	-	-	-
Other bonds		5,853	-	-	-
GST refunds		61,505	2,575	61,505	2,575
Cash advances		4,455	2,584	4,455	2,584
Other debtors		8,573	-	7,156	-
Amounts receivable from:					
— associated companies		-	445,078	-	445,078
— key management personnel	10a	38,368	-	-	-
		135,897	450,237	73,116	450,237
NON-CURRENT					
Trade receivables					
Amounts receivable from:					
— wholly-owned subsidiaries		-	-	2,723,152	-
Bonds on tenements		50,000	-	50,000	-
Other Bonds		4,191	-	-	-
		54,191	-	2,773,152	-

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						
2006	-	36,368	-	-	-	1
2005	-	-	-	-	-	-

NOTE 11: INVENTORIES

	Note	Economic Entity		Parent Entity	
		2006	2005	2006	2005
		$	$	$	$
CURRENT					
At cost					
Raw materials and stores		27,510	-	-	-
		27,510	-	-	-

NOTE 12: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Note	Economic Entity		Parent Entity	
		2006	2005	2006	2005
		$	$	$	$
Associated companies	13	-	-	-	-
		-	-	-	-

NOTE 13: ASSOCIATED COMPANIES

Interests are held in the following associated companies

Name	Principal Activities	Country of Incorporation	Shares	Ownership Interest		Carry amount of investment	
				2006	2005	2006	2005
				%	%	$	$
Unlisted:							
Brehon Far East Pte Ltd	Marketing of Hythane in Asia	Singapore	Ord	-	49.00	-	-
						-	-

		Note	Economic Entity		Parent Entity	
			2006	2005	2006	2005
			$	$	$	$
a.	**Movements During the Year in Equity Accounted Investment in Associated Companies**					
	Balance at beginning of the financial year		-	-	-	-
Add:	New investments during the year		-	5	-	-
	Share of associated company's profit/(loss) after income tax	13b	-	(5)	-	-
	Balance at end of the financial year		-	-	-	-
b.	Equity accounted profits of associates are broken down as follows:					
	Share of associate's profit/ (loss) before income tax expense		-	(500,441)	-	-
	Share of associate's income tax expense		-	-	-	-
	Share of associate's profit/ (loss) after income tax		-	(500,441)	-	-

NOTE 13: ASSOCIATED COMPANIES (CONT'D)

c. **Summarised Presentation of Aggregate Assets, Liabilities and Performance of Associates**				
Current assets	-	438,858	-	-
Non-current assets	-	434,071	-	-
Total assets	-	872,929	-	-
Current liabilities	-	908,057	-	-
Non-current liabilities	-	130,941	-	-
Total liabilities	-	1,038,998	-	-
Net assets	-	(166,069)	-	-
Revenues	-	-	-	-
Profit/(loss) after income tax of associates	(1,283,038)	(1,659,844)	-	-

d. Ownership interest in Brehon Far East Pte Ltd at 30 June 2005 was 49% of ordinary shares. Brehon Far East Pte Ltd became a wholly owned subsidiary of Eden Energy Limited on 31 December 2005.

NOTE 14: JOINT VENTURE

	Note	Economic Entity		Parent Entity	
		2006	2005	2006	2005
		$	$	$	$
a. **Interest in Joint Venture Operations**					
Eden Energy Ltd has entered into a joint venture with Welsh-based Coastal Oil and Gas Limited that will give the economic entity the right to acquire a 50% interest in Coal Bed Methane (CMB)/Coal Mine Methand (CMM) and Natural Gas (NG). In addition, Eden Energy Limited has also entered into a JV to acquire a 50% interest (up to 60% if expenditure > £1m) in an interpreted Oil/Natural Gas target situated in South Wales coalfields. The above are the costs to date to earn those rights.					
The economic entity's share of cost incurred in respect of the joint venture is:					
NON-CURRENT ASSETS					
Exploration expenditure	15	627,721	250,983	627,721	250,983
Total non-current assets		627,721	250,983	627,721	250,983
Net interest in joint venture operations		627,721	250,983	627,721	250,983

NOTE 14: JOINT VENTURE (CONT'D)

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

NOTE 15: OTHER FINANCIAL ASSETS

	Note	Economic Entity		Parent Entity	
		2006	**2005**	**2006**	**2005**
		$	**$**	**$**	**$**
Available-for-sale financial assets	15a	627,721	1,310,735	5,797,396	1,310,735
		627,721	1,310,735	5,797,396	1,310,735
Less non-current portion		(627,721)	(1,310,735)	(5,797,396)	(1,310,735)
Current portion		-	-	-	-
a. **Available-for-sale Financial Assets Comprise**					
Unlisted investments, at cost					
— interest in joint venture operations	14	627,721	250,983	627,721	250,983
		627,721	250,983	627,721	250,983
Unlisted investments, at recoverable amount					
— Shares in controlled entities, at cost		-	-	6,645,790	-
— shares in assocates, at cost		-	1,341,309	-	1,341,309
Less: Impairment Provision		-	(281,556)	(1,476,115)	(281,556)
		-	1,059,753	5,169,675	1,059,753
Total available-for-sale financial assets		627,721	1,310,736	5,797,396	1,310,736

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

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

NOTE 16: CONTROLLED ENTITIES

a. **Controlled Entities Consolidated**	**Country of Incorporation**	**Percentage Owned (%)***	
		2006	**2005**
Parent Entity:			
Eden Energy Ltd	Australia		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 16: CONTROLLED ENTITIES (CONT'D)

Controlled Entities Consolidated	**Country of Incorporation**	**Percentage Owned (%)***

		2006	2005
Ultimate Parent Entity			
Eden Energy Ltd (Tasman Resources NL until 31 May 2006)	Australia		
Subsidiaries of Eden Energy Ltd:			
Brehon Energy PLC	Ireland	100	19.17
Brehon Far East Pte Ltd	Singapore	100	49.00
Brehon Cryogenics LLC	United States of America	100	-
Brehon Australasia Pty Ltd	Australia	100	-
Brehon Wales Ltd	United Kingdom	100	-
Hythane Company LLC	United States of America	100	-
Hydrogen China BVI Ltd	British Virgin Islands	100	-

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

b. **Acquisition of Controlled Entities**

On 31 December 2005 the parent entity acquired the remaining 80.83% of Brehon Energy PLC, with Eden Energy Limited entitled to all profits earned from 1 January 2006 for a purchase consideration of $3,931,445. The acquisition of the remaining shares Brehon Energy Plc resulted in Eden Energy Limited gaining control of the remaining 51% of Brehon Far East Pte Ltd held by Brehon Energy PLC and their subsidiaries.

NOTE 17: PROPERTY, PLANT AND EQUIPMENT

	Note	Economic Entity		Parent Entity	
		2006	2005	2006	2005
		$	$	$	$
PLANT AND EQUIPMENT					
Plant and equipment:			-	-	-
At cost		363,678	-	-	-
Accumulated depreciation		(73,215)	-	-	-
Total plant and equipment		290,463	-	-	-
Total Property, Plant and Equipment		290,463	-	-	-

a. **Movements in Carrying Amounts**

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

	Note	Economic Entity		Parent Entity	
		2006	2005	2006	2005
		$	$	$	$
Plant & Equipment					
Balance at the beginning of year		-	-	-	-
Additions from acquisition of subsidiary		150,645	-	-	-
Additions		174,215	-	-	-
Impairment		(2,762)	-	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 17: PROPERTY, PLANT AND EQUIPMENT

Depreciation expense		(31,635)	-	-	-

Carrying amount at the end of year	290,463	-	-	-

b. **Impairment losses**

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

NOTE 18: INTANGIBLE ASSETS

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$
Intellectual property	7,443,665	-	-	-
Accumulated impaired losses	-	-	-	-
Net carrying value	7,443,665	-	-	-
Computer software				
Cost	11,237	-	-	-
Accumulated amortisation and impairment	(4,620)	-	-	-
Net carrying value	6,617	-	-	-
Total intangibles	7,450,282	-	-	-

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

	Intellectual Property	Computer Software	Total
	$	$	$
Economic Entity:			
Year ended 30 June 2006			
Balance at the beginning of year	-	-	-
Additions	-	-	
Acquisitions through business combinations	7,443,665	7,871	7,451,536
Amortisation charge	-	(1,254)	(1,254)
Closing value at 30 June 2006	7,443,665	6,617	7,450,282

Intangible assets, other than intellectual property, have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the income statement. Intellectual property has an indefinite life.

NOTE 19: OTHER ASSETS

	Note	Economic Entity	Parent Entity

	2006 $	2005 $	2006 $	2005 $
CURRENT				
Prepayments	35,651	-	-	-
NON-CURRENT				
Exploration expenditure capitalised				
— exploration and evaluation phases	176,635	57,082	176,635	57,082
Total exploration expenditure	176,635	57,082	176,635	57,082
	176,635	57,082	176,635	57,082

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

Capitalised costs amounting to $113,595 (2005: $33,156) have been included in cash flows from investing activities in the cash flow statement.

NOTE 20: TRADE AND OTHER PAYABLES

	Note	Economic Entity		Parent Entity	
		2006 $	2005 $	2006 $	2005 $
CURRENT					
Unsecured liabilities					
Trade payables		143,910	13,334	40,313	13,334
Sundry payables and accrued expenses		250,788	47,551	136,456	47,551
Amounts payable to:					
— wholly-owned subsidiaries		-	-	84,374	-
— ultimate parent entity		-	273,451	-	273,451
— other related parties		268,091	-	268,091	-
		662,789	334,336	529,234	334,336
NON-CURRENT					
Unsecured liabilities					
Option agreement		130,941	-	-	-
		130,941	-	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 21: BORROWINGS

	Note	Economic Entity	Parent Entity

		2006 $	2005 $	2006 $	2005 $
CURRENT					
Unsecured liabilities					
Lease liability	24	42,128	-	-	-
		42,128	-	-	-
NON-CURRENT					
Unsecured liabilities					
Lease liability	24	69,674	-	-	-
		69,674	-	-	-

NOTE 22: ISSUED CAPITAL

	Economic Entity		Parent Entity	
	2006 $	2005 $	2006 $	2005 $
122,329,993 (2005: 94,000,000) fully paid ordinary shares	17,014,429	4,224,625	17,014,429	4,224,625
86,853,165 (2005: 79,500,000) options	-	-	-	-
	17,014,429	4,224,625	17,014,429	4,224,625

	Economic Entity		Parent Entity	
	2006 No.	2005 No.	2006 No.	2005 No.
a. **Ordinary shares**				
At the beginning of reporting period	94,000,000	1	94,000,000	1
Shares issued – prior year	-	93,999,999	-	93,999,999
Share consolidation 51.5/94	(42,500,000)	-	(42,500,000)	-
Shares issued during the year				
— 5 January 2006	20,748,660	-	20,748,660	-
— 5 January 2006	3,333,333	-	3,333,333	-
— 13 January 2006	500,000	-	500,000	-
— 1 February 2006	50,000	-	50,000	-
— 3 February 2006	1,000,000	-	1,000,000	-
— 16 March 2006	3,250,000	-	3,250,000	-
— 31 May 2006	41,948,000	-	41,948,000	-
At reporting date	122,329,993	94,000,000	122,329,993	94,000,000

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

ii. On 19 December 2005 the company consolidated the ordinary shares on issue on the basis of 51.5 shares for every 94 held.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 22: ISSUED CAPITAL (CONT'D)

iii. On 5 January 2006 the company issued 20,748,660 ordinary shares at $0.1895 to shareholders of Brehon Energy plc on the basis of 3.054 shares for every Brehon Energy plc share held as consideration for the purchase of the remaining 80.83% of Brehon Energy plc.

iv. On 5 January 2006 the company issued 3,333,333 ordinary shares at $0.1988 to Tasman Resources NL as consideration for the repayment of a loan to Brehon Energy plc which was assigned to Eden Energy Limited following the purchase of the remaining 80.83% of Brehon Energy plc.

v. On 13 January 2006 the company issued 500,000 ordinary shares at $0.20 to Tasman Resources NL to raise working capital.

vi. On 1 February 2006 the company issued 50,000 ordinary shares to a consultant as part of an incentive scheme under an employment contract.

vii. On 3 February 2006 the company issued 1,000,000 ordinary shares at $0.20 to Tasman Resources NL to raise working capital.

viii. On 16 March 2006 the company issued 3,250,000 ordinary shares at $0.20 to raise working capital.

ix. On 31 May 2006 the company issued 41,948,000 ordinary shares at $0.20 to raise working capital as part of an initial public offer.

x. 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.

	Economic Entity		Parent Entity	
	2006 No.	**2005 No.**	**2006 No.**	**2005 No.**
b. **Options**				
At the beginning of reporting period	79,500,000	-	79,500,000	-
Options issued – prior year	-	79,500,000	-	79,500,000
Share consolidation 51.5/94	(36,622,340)	-	(36,622,340)	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 22: ISSUED CAPITAL (CONT'D)

Options issued during the year					
—	25 August 2005	1,500,000	-	1,500,000	-
—	5 January 2006	17,879,165	-	17,879,165	-
—	5 January 2006	2,872,340	-	2,872,340	-
—	13 January 2006	250,000	-	250,000	-
—	3 February 2006	500,000	-	500,000	-
—	31 May 2006	20,974,000	-	20,974,000	-
At reporting date		86,853,165	79,500,000	86,853,165	79,500,000

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.

NOTE 23: RESERVES

a. **Option Reserve**

	Economic Entity		**Parent Entity**	
	2006	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
At the beginning of reporting period	25,820	-	25,820	-
Revaluation of employee share options	-	25,820	-	25,820
Employee share options issued during the year	450	-	450	-
At reporting date	26,270	25,820	26,270	25,820

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

NOTE 24: CAPITAL AND LEASING COMMITMENTS

	Note	**Economic Entity**		**Parent Entity**	
		2006	**2005**	**2006**	**2005**
		$	**$**	**$**	**$**
a. **Finance Lease Commitments**					
Payable — minimum lease payments					
— not later than 12 months		50,241	-	-	-
— between 12 months and 5 years		74,538	-	-	-

NOTE 24: CAPITAL AND LEASING COMMITMENTS (CONT'D)

Minimum lease payments	124,779	-	-	-
Less future finance charges	(12,976)	-	-	-
Present value of minimum lease payments	111,803	-	-	-

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

b. **Capital Expenditure Commitments**

Exploration commitments:

Eden Energy Limited has certain obligations to perform work programs as per licence documents for the Geothermal Licences. These obligations may be varied from time to time subject to approval and are expected to be fulfilled in the normal course of the operations of the company subject to the company being able to raise sufficient additional capital.

These commitments have not been provided for in the accounts. In part, these commitments can be satisfied by time spent by officers of the company on activities related to the exploration tenements.

c. **Joint Ventures**

Eden Energy Limited has entered into the following commitments:

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

NOTE 25: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$
Estimates of the potential financial effect of contingent liabilities that may become payable:				
Contingent Liabilities	-	-	-	-
Contingent Assets	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 26: SEGMENT REPORTING

Primary Reporting — Geographical Segments

	Australia		United States	
	2006	2005	2006	2005
	$	$	$	$
REVENUE				
External sales	-	-	120,080	-
Other income	64,268	24,685	-	-
Total revenue	64,268	24,685	-	-
Unallocated revenue				
Total revenue				
RESULT				
Segment result	(561,953)	(477,064)	(799,426)	-
Unallocated expenses net of unallocated revenue				
Finance costs				
Share of net profits of associates and joint venture entities	-	-	-	-
Profit before income tax				
Income tax expense				
Profit after income tax				
ASSETS				
Segment assets	14,620,703	4,107,712	645,628	-
Unallocated assets				
Discontinued operations assets				
Total assets				
LIABILITIES				
Segment liabilities	440,529	334,336	286,223	-
Unallocated liabilities				
Discontinued operations liabilities				
Total liabilities				
OTHER				
Investments accounted for using the equity method	-	-	-	-
Acquisitions of non-current segment assets	6,647,678	1,341,891	193,176	-
Depreciation and amortisation of segment assets	-	-	(17,876)	-
Other non-cash segment expenses	(2,762)	-	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 26: SEGMENT REPORTING (CONT'D)

Primary Reporting — Geographical Segments

	Ireland		Singapore	
	2006 $	2005 $	2006 $	2005 $
REVENUE				
External sales	-	-	-	-
Other income	-	-	-	-
Total revenue	-	-	-	-
Unallocated revenue				
Total revenue				
RESULT				
Segment result	(374,430)	-	-	-
Unallocated expenses net of unallocated revenue				
Finance costs				
Share of net profits of associates and joint venture entities	-	-	-	(5)
Profit before income tax				
Income tax expense				
Profit after income tax				
ASSETS				
Segment assets	434,844	-	27,514	-
Unallocated assets				
Discontinued operations assets				
Total assets				
LIABILITIES				
Segment liabilities	177,439	-	1,342	-
Unallocated liabilities				
Discontinued operations liabilities				
Total liabilities				
OTHER				
Investments accounted for using the equity method	-	-	-	-
Acquisitions of non-current segment assets	390,621	-	-	-
Depreciation and amortisation of segment assets	(15,013)	-	-	-
Other non-cash segment expenses	-	(281,556)	(2,762)	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 26: SEGMENT REPORTING (CONT'D)

Primary Reporting — Geographical Segments

	Eliminations		Economic Entity (continuing Operations)	
	2006 $	2005 $	2006 $	2005 $
REVENUE				
External sales	-	-	120,080	-
Other income	-	-	64,268	24,685
Total revenue			184,348	24,685
Unallocated revenue			64,268	24,685
Total revenue			184,348	24,685
RESULT				
Segment result			(1,735,809)	(477,064)
Unallocated expenses net of unallocated revenue			-	-
Finance costs			(4,665)	-
Share of net profits of associates and joint venture entities	-	-	-	(5)
Profit before income tax			(1,740,474)	(477,069)
Income tax expense			-	-
Profit after income tax			(1,740,474)	(477,069)
ASSETS				
Segment assets	-	-	15,728,689	4,107,712
Unallocated assets			-	-
Discontinued operations assets			-	-
Total assets			15,728,689	4,107,712
LIABILITIES				
Segment liabilities			905,533	334,336
Unallocated liabilities			-	-
Discontinued operations liabilities			-	-
Total liabilities			905,533	334,336
OTHER				
Investments accounted for using the equity method	-	-	-	-
Acquisitions of non-current segment assets	-	-	7,231,475	1,343,891
Depreciation and amortisation of segment assets	-	-	(32,889)	-
Other non-cash segment expenses	-	-	(2,762)	(281,556)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 26: SEGMENT REPORTING (CONT'D)

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 economic entity at an arm's length. These transfers are eliminated on consolidation.

Business and Geographical Segments

Business segments

The economic entity operates in the energy sector and does not have distinguishable business segments.

Geographical segments

The economic entity's business segments are located in Australia, United States of America, Ireland and Singapore.

Impairment Losses

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

NOTE 27: CASH FLOW INFORMATION

		Economic Entity		Parent Entity	
		2006	2005	2006	2005
		$	$	$	$
a.	**Reconciliation of Cash Flow from Operations with Loss after Income Tax**				
	Loss after income tax	(1,740,474)	(477,069)	(545,914)	(477,069)
	Cash flows excluded from loss attributable to operating activities				
	Bonds on tenements	(50,000)	-	(50,000)	-
	Non-cash flows in loss				
	Amortisation	1,254	-	-	-
	Depreciation	31,635	-	-	-
	Employee benefits	450	-	450	-
	Impairment loss on property, plant and equipment	2,762	-	-	-
	Operating items paid by controlled entities	-	-	84,374	-
	Operating items paid by associated entities	11,714	-	8,588	-
	Write-back of investment in associate	-	-	(5)	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 27: CASH FLOW INFORMATION (CONT'D)

Impairment loss on investment accounted for using the equity method	-	281,556	-	281,556
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
(Increase)/decrease in trade and term receivables	(121,250)	(5,159)	(69,246)	(5,159)
Increase/(decrease) in receivables from investing activities	12,455	-	4,790	-
(Increase)/decrease in prepayments	(35,651)	-	-	-
(Increase)/decrease in inventories	(27,510)	-	-	-
Increase/(decrease) in trade payables and accruals	333,812	60,886	115,884	60,886
(Increase)/decrease in payables from investing activities	(159,783)	(13,328)	(31,118)	(13,328)
(Increase)/decrease in payables from financing activities	(38,188)	-	(60,151)	-
Cashflow from operations	(1,778,774)	(153,114)	(542,348)	(153,114)

b. **Acquisition of Entities**

During the year the remaining 80.83% of the controlled entity Brehon Energy PLC was acquired. Details of this transaction are:

Purchase consideration	5,323,750	-	5,304,487	-
Shares issued to Brehon Energy PLC shareholders	(3,931,445)	-	(3,931,445)	-
Cash consideration	1,392,305	-	1,373,042	-
Cash acquired on acquisition	(136,943)	-	-	-
Cash outflow	1,255,362	-	1,373,042	-

The assets acquired consisted entirely of intellectual property in respect of Hythane® technology.

Losses of Brehon Energy PLC and its subsidiaries included in consolidated loss of the group since the acquisition date on 31 December 2005 amounted to $1,194,560.

c. **Non-cash Financing and Investing Activities**

i. Share issue

20,748,660 ordinary shares were issued to shareholders of Brehon Energy PLC at $0.1895 as consideration for the purchase of Brehon Energy PLC. The share

NOTE 27: CASH FLOW INFORMATION (CONT'D)

issue was based on the fair value of the company which was determined by an independent valuation of Brehon Energy PLC prior to the purchase.

3,333,333 ordinary shares were issued to Tasman Resources NL at $0.20 as consideration for the repayment of a loan to Brehon Energy PLC which was assigned to Eden Energy Limited following the purchase of the remaining shares in Brehon Energy PLC.

ii. During the year the economic entity acquired plant and equipment with an aggregate value of $148,685 (2005: Nil) by means of finance leases. These acquisitions are not reflected in the cash flow statement.

NOTE 28: SHARE-BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2006:

On 25 August 2005, 1,500,000 share options were granted to directors to accept ordinary shares at an exercise price of $0.20. The options are exercisable on or before 30 September 2009. The options hold no voting or dividend rights and are not transferable. At balance date, no share option has been exercised.

The company also operates an Employee Share Scheme. When issued, the shares carry full dividend and voting rights. On 1 February 2006, 50,000 vested ordinary shares were issued under this scheme to a consultant. There are to be another 9 further allotments of 50,000 ordinary fully paid shares over the next 4.5 years.

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

	Economic Entity				**Parent Entity**			
	2006		**2005**		**2006**		**2005**	
	Number of Options	**Weighted Average Exercise Price $**	**Number of Options**	**Weighted Average Exercise Price $**	**Number of Options**	**Weighted Average Exercise Price $**	**Number of Options**	**Weighted Average Exercise Price $**
Outstanding at the beginning of the year	6,000,000	0.20	-	-	6,000,000	0.20	-	-
Granted	1,500,000	0.20	6,000,000	0.20	1,500,000	0.20	6,000,000	0.20
Share Consolidation	(3,390,958)	-	-	-	(3,390,958)	-	-	-
Transferred	(416,382)	0.20	-	-	(416,382)	0.20	-	-
Outstanding at year-end	3,692,660	0.20	6,000,000	0.20	3,692,660	0.20	6,000,000	0.20
Exercisable at year-end	3,692,660	0.20	6,000,000	0.20	3,692,660	0.20	6,000,000	0.20

No options were exercised during the year ended 30 June 2006. Included under employee benefits expense in the income statement is $450 (2005: $Nil), and relates, in full, to equity-settled share-based payment transactions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 29: EVENTS AFTER THE BALANCE SHEET DATE

a. On 14 August 2006, the Group issued 950,000 options to employees under the Employees Share Option Plan. The options were issued free of charge and are exercisable on or before 30 August 2009 at an exercise price of 25c. Each option entitles the option holder to acquire 1 ordinary share in Eden Energy Limited.

b. The financial report was authorised for issue on 29 September 2006 by the board of directors.

NOTE 30: RELATED PARTY TRANSACTIONS

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$
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.	129,300	74,226	126,000	74,226
Legal and professional fees paid to Solomon Brothers, a firm of which Mr GH Solomon and Mr DH Solomon are partners.	1,364	29,977	1,364	29,977
Loan to Mr G Egan on interest-free terms, repayable on demand,	38,368	-	-	-

NOTE 31: FINANCIAL INSTRUMENTS

a. **Financial Risk Management**

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

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

i. Financial Risks

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

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 31: FINANCIAL INSTRUMENTS (CONT'D)

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

b. **Financial Instruments**

i. **Interest Rate Risk**

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

	Fixed Interest Rate Maturing			
	Weighted Average Effective Interest Rate		Floating Interest Rate	
	2006	2005	2006 $	2005 $
Financial Assets:				
Cash and cash equivalents	5.42%	4.30%	6,930,339	2,289,658
Total Financial Assets	5.42%	4.30%	6,930,339	2,289,658

	Weighted Average Effective Interest Rate		1 to 5 years	
	2006	2005	2006 $	2005 $
Financial Liabilities:				
Lease liabilities	7.76%	-	111,802	-
Total Financial Liabilities	7.76%	-	111,802	-

	Non Interest Bearing		Total	
	2006 $	2005 $	2006 $	2005 $
Financial Assets:				
Cash and cash equivalents	-	-	6,930,339	2,289,658
Receivables	151,720	5,159	151,720	5,159
Receivable from related parties	38,368	445,078	38,368	445,078
Investments	627,721	1,310,735	627,721	1,310,735
Other assets	35,651	-	35,651	-
Total Financial Assets	853,460	1,760,972	7,783,799	4,050,630
Financial Liabilities:				
Trade and sundry payables	394,698	60,885	394,698	60,885
Amounts payable related parties	268,091	273,451	268,091	273,451
Lease liabilities	-	-	111,802	-
Other liabilities	130,941	-	130,941	-
Total Financial Liabilities	793,730	334,336	905,532	334,336

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 31: FINANCIAL INSTRUMENTS (CONT'D)

ii. **Net Fair Values**

The net fair values of:

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

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

	2006		2005	
	Carrying Amount $	**Net Fair Value $**	**Carrying Amount $**	**Net Fair Value $**
Financial Assets				
Cash and cash equivalents	6,930,339	6,930,339	2,289,658	2,289,658
Available-for-sale financial assets at fair value	627,721	627,721	1,310,735	1,310,735
Loans and receivables	190,088	190,088	450,237	450,237
Other assets	35,651	35,651	-	-
	7,783,799	7,783,799	4,050,630	4,050,630
Financial Liabilities				
Trade and sundry payables	394,698	394,698	60,885	60,885
Bills of exchange and promissory notes				
Other loans and amounts due	268,091	268,091	273,451	273,451
Other liabilities	130,941	130,941	-	-
	793,730	793,730	334,336	334,336

Fair values are materially in line with carrying values.

NOTE 32: CHANGE IN ACCOUNTING POLICY

a. The group has adopted the following Accounting Standards for application on or after 1 January 2005:

— AASB 132: Financial Instruments: Disclosure and Presentation; and

— AASB 139: Financial Instruments: Recognition and Measurement.

The changes resulting from the adoption of AASB 132 relate primarily to increased disclosures required under the Standard and do not affect the value of amounts reported in the financial statements.

The adoption of AASB 139 has not resulted in material differences in the recognition and measurement of the group's financial instruments.

b. The following Australian Accounting Standards have been issued or amended and are applicable to the parent and economic entity but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

AASB Amendment	**AASB Standard Affected**	**Nature of Change in Accounting Policy and Impact**	**Application Date of the Standard**	**Application Date for the Group**
2004–3	AASB 1: First-time Adoption of AIFRS	No change, no impact	1 January 2006	1 July 2006
	AASB 101: Presentation of Financial Statements	No change, no impact	1 January 2006	1 July 2006

NOTE 32: CHANGE IN ACCOUNTING POLICY (CONT'D)

	AASB 124: Related Party Disclosures	No change, no impact	1 January 2006	1 July 2006
2005–1	AASB 139: Financial Instruments: Recognition and Measurement	No change, no impact	1 January 2006	1 July 2006
2005–5	AASB 1: First-time Adoption of AIFRS	No change, no impact	1 January 2006	1 July 2006
	AASB 139: Financial Instruments: Recognition and Measurement	No change, no impact	1 January 2006	1 July 2006
2005–6	AASB 3: Business Combinations	No change, no impact	1 January 2006	1 July 2006
	AASB 139: Financial Instruments: Disclosure and Presentation	Eden Energy Limited is in the process of evaluating the effect of these changes of which the impact is not reasonably estimable at the date of this financial report.	1 January 2006	1 July 2006
2005–10	AASB 139: Financial Instruments: Recognition and Measurement	No change, no impact	1 January 2007	1 July 2007
	AASB 101: Presentation of Financial Statements	No change, no impact	1 January 2007	1 July 2007
	AASB 114: Segment Reporting	No change, no impact	1 January 2007	1 July 2007
	AASB 117: Leases	No change, no impact	1 January 2007	1 July 2007
	AASB 133: Earnings per share	No change, no impact	1 January 2007	1 July 2007
	AASB 132: Financial Instruments: Disclosure and Presentation	No change, no impact	1 January 2007	1 July 2007
	AASB 1: First-time Adoption of AIFRS	No change, no impact	1 January 2007	1 July 2007
2006–1	AASB 121: The Effects of Changes in Foreign Exchange Rates	No change, no impact	1 January 2006	1 July 2006
New Standard	AASB 7: Financial Instruments: Disclosure	No change, no impact	1 January 2007	1 July 2007

NOTE 32: CHANGE IN ACCOUNTING POLICY (CONT'D)

New Standard	AASB 119: Employee Benefits: December 2004	No change, no impact	1 January 2006	1 July 2006

All other pending Standards issued between the previous financial report and the current reporting dates have no application to either the parent or economic entity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 33: COMPANY DETAILS

The registered office of the company is:

Eden Energy Limited
Level 40, Exchange Plaza
2 The Esplanade
Perth Western Australia 6000

The principal places of business are:

— Eden Energy Limited
Level 40, Exchange Plaza
2 The Esplanade
Perth Western Australia 6000

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 21 to 64, are in accordance with the *Corporations Act 2001* and:
   a. comply with Accounting Standards and the Corporations Regulations 2001; and
   b. give a true and fair view of the financial position as at 30 June 2006 and of the performance for the year ended on that date of the company and economic entity;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
   a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
   b. the financial statements and notes for the financial year comply with the Accounting Standards; and
   c. the financial statements and notes for the financial year give a true and fair view;
3. in the director's opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Director
G H Solomon

Dated this 29th day of September 2006

CHARTERED
ACCOUNTANTS
& BUSINESS
ADVISORS

A MEMBER OF
MOORES ROWLAND
INTERNATIONAL

Bentleys mri
Thinking ahead

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INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF EDEN ENERGY LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the income statement, balance sheet, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Eden Energy Limited (the company) and Eden Energy Limited (the consolidated entity), for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

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

Audit Approach

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

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

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

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

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

Independence

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

Audit Opinion

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

(a) the Corporations Act 2001, including:

i. giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and

ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

BENTLEYS MRI PERTH PARTNERSHIP

M J HILLGROVE
Partner

Dated this 29th day of September 2006.

Shareholding

Number of Shareholders

944

Distribution of Shareholders Number

No. of Ordinary Shares	Shareholders
1 - 1,000	3
1,001 - 5,000	28
5,001 - 10,000	236
10,001 - 100,000	591
100,001 - and over	86

Marketable Parcels

The number of shareholders with non-marketable parcels is 31.

Substantial Shareholders	**Ordinary shares**
Total issued shares at 21 September 2006	122,334,993
Noble Energy Limited	32,979,888
Top Energy Pty Ltd	25,750,000
Gregory Egan	7,635,005

Voting Rights

Subject to any rights or restrictions for the time being attached to any classes of Shares (at present there are none), at meetings of shareholders of the Company

(a) each shareholder entitled to vote may vote in person or by proxy, attorney or representative;

(b) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote: and

(c) on a poll, every person present who is a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Share, but in respect of partly paid shares, shall have such number of votes as bears the same proportion which the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited).

Restricted Securities

At the date of listing there were 55,152,387 shares and 54,101,862 options placed in escrow to be released at various dates.

20 Largest Shareholders - Ordinary Shares

	Name	Ordinary Fully Paid Shares	% Held of Issued Ordinary Capital
1.	Noble Energy Limited	32,979,888	26.958%
2.	Top Energy Pty Ltd	25,750,000	21.048%
3.	Egan, G	7,635,005	6.241%
4.	Arkenstone Pty Ltd	3,181,299	2.599%
5.	March Bells Pty Ltd	3,001,302	2.452%
6.	Bond Street Custodians Limited <Macquarie Smaller Co's A/c>	2,000,000	1.634%
7.	Harbour Views No 1 Pty Ltd	1,832,401	1.497%
8.	Marmaro, R	1,234,901	1.009%
9.	Taycol Nominees Pty Ltd	1,000,000	0.817%
10.	Fulton, J	823,267	0.672%
11.	K & V Lamb Pty Ltd	600,000	0.490%
12.	Quintal Pty Ltd <Harken Family A/c>	500,000	0.408%
13.	Jason Tranter No 1 Pty Ltd	500,000	0.408%
14.	Symington Pty Ltd	425,000	0.347%
15.	Dostill Pty Ltd	410,000	0.335%
16.	Cheval Holdings Pty Ltd	400,000	0.326%
17.	Chifley Investor Group Pty Ltd	375,000	0.306%
18.	Bond Street Custodians Limited <ADN – I19085 A/c>	375,000	0.306%
19.	Lynch, F	366,480	0.299%
20.	Mahoney, JW & RS <Jimrae Super Fund A/c>	350,000	0.286%
		83,739,543	68.438%