

**EDEN ENERGY LIMITED ABN 58 109 200 900  
AND CONTROLLED ENTITIES**

**Interim Financial Report For The  
Half-Year Ended 31 December 2006**

**EDEN ENERGY LIMITED ABN 58 109 200 900  
AND CONTROLLED ENTITIES**

**Interim Financial Report**

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**CORPORATE DIRECTORY**

**DIRECTORS:**

Gregory Howard Solomon **LLB** (Executive)

Douglas Howard Solomon **BJuris LLB (Hons)** (Non-Executive)

Guy Touzeau Le Page **B.A., B.Sc. (Hons), M.B.A., ASIA., MAusIMM** (Non-Executive)

Gregory Joseph Egan **B.A.** (Non-Executive)

**COMPANY SECRETARY:**

Raymond F Buscall

**REGISTERED OFFICE:**

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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.

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**DIRECTORS' REPORT**

Your directors submit the financial report of the economic entity for the half-year ended 31 December 2006.

**Directors**

The names of directors who held office during or since the end of the half-year:

<b>Name</b>	<b>Period of Directorship</b>
<b>Executive</b>	
Gregory Howard Solomon	Director since May 2004
<b>Non Executive</b>	
Douglas Howard Solomon	Director since May 2004
Guy Touzeu Le Page	Director since May 2004
Gregory Joseph Egan	Director since February 2006
Graham Roland Bedford	(Appointed 22 August 2005, Resigned 8 September 2006)

**Review of Operations**

Eden Energy Ltd ("Eden") directly and through its wholly owned subsidiaries, Brehon Energy plc ("Brehon") and Hythane Company LLC ("Hythane Co"), holds all the interests in the following world-class alternate energy projects.

## **Hydrogen and Hythane® (Eden 100%)**

### **Hythane®**

Hythane® is a mixture of natural gas and hydrogen, usually 5-7% hydrogen by energy. Hydrogen and methane are complimentary vehicle fuels in many ways. 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®:

- Cuts engine emissions of NO<sub>x</sub> and CO by 50% compared with Natural Gas;
- Has major carbon credit potential;
- Is fully developed and immediately available;
- Is low cost as it uses Natural Gas infrastructure in the key markets such as of the US, China and India; and
- Can use in its mix, low purity hydrogen and is suitable for CNG, LNG and for dual fuel (a mixture of diesel and Hythane®).

Natural Gas, Hythane®, hydrogen Internal Combustion Engines (ICE) and Hythane® dual fuel engines represent the three most practical, and therefore the most likely transitional steps in the future between current diesel ICEs and fuel cell electric vehicles.

### **Hythane® Marketing**

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

#### **1. India**

##### **Background**

As a result of a Supreme Court ruling in 2001, the entire public transport fleet in Delhi operates on Natural Gas. This comprises approximately 15,000 buses, 40,000 taxis and 100,000 auto rickshaws. Similarly, in

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Mumbai many of the 100,000 auto rickshaws are now operating on Natural Gas and it is planned to convert the very large bus and taxi fleets (estimated at approximately 20,000 buses and 60,000 taxis) to operate on Natural Gas. Similarly, in Gujarat and Kanpur, where Natural Gas is also currently available, significant numbers of Natural Gas buses also currently operate and expansion of these fleets is planned. In all of these cities, photochemical smog is already a serious issue, and becoming worse as the number of motor vehicles rises. NO<sub>x</sub> is the major constituent of photochemical smog and more than 70% is estimated to come from motor vehicles. NO<sub>x</sub> is halved when Hythane® is used in lieu of Natural Gas, and this provides a great opportunity for Eden to develop a very large market for its Hythane® related technology in these cities.

At present, India has only a very limited Natural Gas distribution network. Over the next five years the Indian Government plans to extend the gas pipeline network to cover more than 50% of the population (of 1.1 billion people) and more than 60% of its entire vehicle market. The Indian Government also plans to expand the Natural Gas supply from approximately 5 million tonnes per annum to 25 million tonnes per annum over the same period.

This opens up a huge market for Natural Gas and Hythane® as an ultra-low emission vehicle fuel for a potential market of more than 500,000 buses and many millions of trucks, minibuses, taxis, cars and auto rickshaws.

Additionally, many tens of thousands of large businesses and buildings in India have their own diesel-powered generators, due to the unreliable electricity supply. As Natural Gas is, approximately, only 50% of the cost of diesel, it is anticipated that as Natural Gas becomes more widely available, many of these generators will be converted to operate on a dual fuel mixture of diesel and Natural Gas. By using Hythane® in place of Natural Gas, the percentage of diesel in this dual fuel mix may be reduced to only 10-15% compared with approximately 40% if Natural Gas alone is used. This use of Hythane® has similar potential in the large diesel electric locomotive market in India and in Natural Gas powered electricity generators.

The dual fuel application will also open up a potentially lucrative carbon credit potential, pursuant to the Clean Development Mechanism (CDM) under the Kyoto protocol, which is available to India as a developing nation.

Eden, through a proposed Indian joint venture, utilising its various patents and extensive expertise, aims to supply Hythane® engine conversions, and supply and service hydrogen production equipment, and Hythane® blending equipment, for all these markets.

The total potential market for Hythane® in India is extremely large and Eden is well placed to capture a significant share of this exciting and potentially very rewarding market.

#### ***Indian Hythane® Engines and Demonstration Projects***

During the Quarter, the first Indian Natural Gas engines to be converted for Hythane® operation were despatched from India to the Hythane Company's facility in Colorado.

The Ashok Leyland engines, which are leading Natural Gas bus engines, will be converted to Hythane® operation during the first Quarter of 2007 and then returned to India for use in demonstration projects.

Four major Hythane® bus demonstration projects are planned in Delhi, Mumbai, Ahmedabad and Kanpur - major cities where Natural Gas is presently available. Significant interest in participating in these demonstration projects has been expressed by many of the major players within the Indian market sector, including oil and gas companies, gas distribution outlets, transport authorities, testing and regulatory authorities and government agencies. Eden is confident that completion of these demonstration projects will lead to a progressive rollout of Hythane buses in India, as Natural Gas becomes more wide available over the next five years.

#### ***Ten Year Agreement with Ashok Leyland***

Brehon Energy plc (to be re-named "Eden Innovations Ltd"), a wholly owned subsidiary of Eden Energy Ltd, entered into an Agreement with Ashok Leyland, the flagship company of the transnational Hinduja Group, and leading manufacturer of buses in India, to develop Hythane® versions of its Natural Gas bus engines to enable these engines to achieve very low emission levels comparable with the best engines currently available in the world.

In 1997, Ashok Leyland pioneered CNG buses in the Indian metropolitan cities of Mumbai and Delhi and spearheaded the large-scale induction of this eco-friendly technology in the bus fleet of Delhi. Ashok Leyland currently manufactures 11,000 to 14,000 buses per year, and has a lion's share in all metropolitan state transport bus fleets in India. Its buses carry over 60 million passengers per day. With annual production capacity of 80,000 vehicles, it is also a major manufacturer of trucks and defence vehicles.

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Under the terms of the Agreement, which will operate until the end of 2016, Brehon will carry out the Hythane® calibrations at its test facilities in Colorado, USA, and receive a royalty for providing the calibration to Ashok Leyland.

This Agreement provides Brehon with a tremendous base for its Indian operations, upon which it intends to expand into the generator market, truck market, locomotive market, cars (including taxi fleets) and three-wheeler (auto rickshaw) markets.

### Indian Government expansion plans

The Indian Government recently announced that during the next five years it plans to facilitate the expansion of the Natural Gas pipeline network to make Natural Gas available to 50% of the Indian population and up to 60% of vehicles in metropolitan cities and towns in India. A huge increase in Natural Gas supplies, from 5 million tonnes per annum to 25 million tonnes per annum, is also planned to cater for the enhanced requirement.

The gas is to be used for heating and as a primary vehicle fuel. The main reasons for this expansion of the Natural Gas distribution system include the significant urban smog problems in India and the price difference, with Natural Gas being more than 50% cheaper than diesel fuel.

The Indian Government is continuing with its objective of developing buses, taxis and auto rickshaws to operate on Natural Gas and Hythane®, and India offers a major opportunity for the development and marketing of Hythane®.

It is anticipated that the number of Natural Gas buses will increase dramatically during the next five years, and Brehon aims to have a large percentage of these buses operating on Hythane®. At present, Natural Gas sells at about 60% of the cost of diesel and this provides a great incentive for bus fleet operators to use Natural Gas as a vehicle fuel wherever it is available.

### ***Eden's Indian Strategy***

Eden aims to establish a joint venture company in India with a major Indian partner. The joint venture will derive revenue from various sources including royalties on Hythane® engine calibrations, from the sale of equipment for the production and blending of Hythane®, and the ongoing maintenance of such equipment. Ongoing negotiations for this proposed joint venture are at an advanced stage.

Additionally, marketing of any consequential carbon credit benefits that may be derived from the conversion of engines to Hythane® operation could potentially leading to a significant revenue stream for the Indian joint venture should the Hythane® marketing programme be successful.

## **2. USA**

### ***US Hythane® Demonstration Projects***

The US's first long-term test of engines fuelled by Hythane®, had been awarded to wholly owned Eden Energy subsidiary, Colorado-based Hythane Co. The test program to deliver an ultra-clean hydrogen-blend fuel will be supported by a US Department of Energy (DoE) grant of USD \$2.1 million. The programme is subject to the Company completing an audit and contract negotiations with DoE.

Eden considers the programme to be the first breakthrough into the massive American automotive market. The two year project will establish, for the first time, a 'no compromises' comparison of Hythane® and pure hydrogen-based ICEs for the automotive sector.

Increasing acceptance that hydrogen will be the basis of automotive fuels of the future compared to other derivatives currently under study coupled with the backing of the US DOE catapults Eden and Hythane Co into a lead position in this emerging but potentially huge market opportunity.

Under the terms of the grant and test programme, two identical, heavy-duty, spark-ignited natural gas engines will be acquired and modified - one to run on Hythane® and the other to run on hydrogen. Hythane Co will undertake most of the work on the 2500 hour test program, which is expected to take two years.

Many previous research, development, and demonstration studies have established the operational parameters and emissions performance for hydrogen and hydrogen-blended ICEs but these programmes have mostly provided only short-term data.

Eden's new work will establish for the first time, formal laboratory data on the long-term performance,

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emissions, and durability of Hythane® and pure hydrogen ICEs. The new test work will aggressively simulate real-world, long-term operation of heavy-duty engines and provide sufficient opportunity to push durability and performance deterioration limits.

Additionally, negotiations for several Hythane® demonstration projects for cities in California and in the northeastern USA were completed and these projects are awaiting funding.

### Hythane® “Most Promising” award at the 7th Annual Energy Venture Fair

Hythane Company was awarded the “Most Promising” award at the 7th Annual Energy Venture Fair on November 9, 2006 in Santa Clara, California.

The Energy Venture Fair selects the five most impressive companies for this award out of those participating in the event. Each year, the Fair targets environmental technology companies in North America and hand-picks 75 companies to present business plans and products to an audience of key potential investors. The Fair has a reputation of being the best event for investors wishing to find new companies with potential in this market sector.

### 3. Europe

European interest is emerging for Hythane® demonstration projects. Negotiations with various interested parties are being progressed and it is hoped these talks will result in Hythane Co's participation in one or more demonstration projects in Europe during 2007.

Negotiations continued 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;
- 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 where Hythane® is produced by electrolysis;
- Supplying Hythane® technology for two proposed Hythane® demonstration projects in Europe; and
- Establishing a joint marketing venture with another leading equipment manufacturer to market and rollout Hythane® initially in Italy, and potentially across Europe.

### 4. China

China remains a major target market for Hythane® and Eden plans to re-enter the Chinese market later in 2007, after the marketing structure in India is resolved and the equipment development and manufacture is progressed.

Eden has established a relationship with AEC, an Australian company which manufactures and markets, in China and elsewhere, engine controllers and gas injectors, and this may well lead to market development opportunities for Hythane® over the next 6-12 months.

## Cryogenics

Brehon Cryogenics LLC, which has changed its name to Eden Cryogenics LLC, has relocated to new premises in Ohio. It is projected that its sales will significantly increase during 2007, expanding on its initial sales of cryogenic pipes, valves and fittings to NASA and a major soft drink manufacturer. This is targeted to become a major positive cash flow source for the Eden group.

Eden Cryogenics LLC will develop a broad range of cryogenic products, services and skills that will complement the company's new cryogenic storage technologies and patents, particularly for the emerging Liquefied Natural Gas (LNG) and Liquefied Hydrogen markets in the USA and elsewhere.

## New Patents and Technology

### *Hythane® and Hydrogen Usage in Internal Combustion Engines*

A new patent for use of hydrogen in engine applications has been lodged by Hythane Co.

Stoichiometric engines, which use a chemically balanced mixture of air and fuel to ensure complete combustion of the fuel, are anticipated to become more common in the future since when used in conjunction with new three-way catalyst exhaust systems they produce very low levels of non-carbon emissions.

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The Company's earlier Hythane System patent (filed in January 2006) covers the use of Hythane® in the latest natural gas engines running stoichiometric air/fuel ratios with exhaust gas recirculation (EGR). These new engines combine some of the best characteristics of traditional stoichiometric and lean burn engines: high efficiency, low combustion temperatures and thermal loads, and near-zero emissions with the use of an exhaust catalyst. When fuelled with Hythane®, these engines will see an efficiency improvement of 10-15%, even lower thermal loads for longer engine life, and better emissions during rapid changes in engine speed or load.

The new patent (filed October 2006) optimises the use of pure hydrogen fuel in internal combustion engines. The methods described in the patent will produce near-zero emissions and increase efficiency whilst at the same time avoid the fast, unstable combustion and NO<sub>x</sub> emissions usually seen with pure hydrogen fuelled internal combustion engines. This results in modelled peak efficiency improvements in the range of 30% to 50%, when compared to previous lean burn hydrogen engines. At part-load conditions, the efficiency improvements can be even greater, with operation comparable to the best diesel engines and competitive with today's experimental fuel cell systems.

These advanced engine control technologies provide a low-cost method to immediately use hydrogen in a wide range of vehicles, whilst the various on-going research programmes into fuel cells continue in an effort to overcome the various technical and commercial difficulties that currently still confront fuel cells.

***Hydrogen Production using Low Temperature Pyrolysis (Eden 50% interest)***

Significant progress was made in the research and development project that Eden has with the University of Queensland (50% Eden). The project is to develop a low-temperature, low-cost, method of producing hydrogen and carbon black from Natural Gas, instead of producing hydrogen and carbon dioxide.

Carbon black is an amorphous solid form of carbon that is used in inks, photocopy toner, as a pigment and reinforcement in rubber and plastic products (especially vehicle tyres) and in radar-absorbent materials.

Since the end of the Quarter, a patent in the joint names of the Company and the University of Queensland was lodged for this new process.

The patented process, which still requires development for commercial use, has immediate application in low-cost Hythane® production, and, great potential as a future source of pure hydrogen (without any CO<sub>2</sub> production), as the anticipated hydrogen economy market develops over the next five to ten years.

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

During the Quarter, work continued with finalising permits for drilling a series of coal bed methane and coal mine methane drill holes during the first half of 2007 and securing contractors for different phases of the programmes.

**Coal Bed Methane**

All permits have been obtained for the first Eden-funded CBM drilling programme in Petroleum Exploration and Development Licence 100.

Site works and pad clearing have been completed on the first drill site.

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;

were identified and contracts are now being finalised.



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### **Abandoned Mine Methane**

All permitting and agreements for the first three AMM sites have been received, with the exception of an agreement with the local power distribution company for sale of electricity.

Site works and pad clearing have been completed on the first drill site.

Drilling of the AMM wells will commence once the electricity sales agreement is resolved.

### **Conventional Petroleum/Natural Gas**

Tenders for 2D seismic data acquisition were received and assessed. The contractor identified is undertaking a survey on Eden's Welsh partners nearby coal mine. Final seismic acquisition programmes will be designed to complement the acquisition technology and performance of the contractor early in June 2007 quarter.

## **Geothermal Exploration (Eden 100%)**

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

Eden Energy announced that the SA Government has endorsed its Renmark Geothermal Project concept by approving the funding, up to a level of \$100,000, of a new drill hole to assess the geothermal potential of the Renmark-Tararra Trough.

Eden holds Geothermal Exploration Licences 175 and 176, which are located in the Renmark area of South Australia. Access to major powerlines for distribution is over much shorter distances than other projects in more remote locations.

The Renmark-Tararra Trough is a 300km long sedimentary basin running in a north-easterly direction, located just to the north of Renmark. There are significant accumulations of sediments, including good insulating coaly material, in the Renmark Trough that Eden concludes may provide effective thermal insulation, which, associated with major faults on the basin margins, to provide enhanced permeability, combine to make the Renmark area an attractive geothermal target.

The Renmark area stands out as a significant temperature anomaly on the ANU Austherm 2004 image of estimated temperature at 5 km depth. A majority of the weighting for the anomaly is due to data from the Nulla Nulla 1 well located just over the NSW border.

Eden are proposing to drill a new hole to acquire drill core and temperature measurements from within the Renmark Trough to confirm the anomalous heat flow status of the Renmark area as suggested by the Austherm image. The temperature data will enable an estimate of the temperature at depth in the area. Core from the hole will enable thermal conductivities to be directly measured and a robust estimation of heat flow and temperature gradient in the area. The programme will also dovetail with data that will be available from a new Department of Water, Land and Biodiversity Conservation (DWLBC) saline water re-injection test well near Lock 6 on the Murray River, providing a more regional view of the heat flow.

A successful hole and heat flow estimate will establish the presence of a well-located, significant, new, geothermal resource at attractive depths for utilisation in South Australia, which is in a location quite close to prospective markets and infrastructure. Success would also confirm a major new style of geothermal target in SA and accelerate exploration of this particular resource as well as highlighting the prospectivity of naturally permeable zones in sedimentary basins with high heat flows.

## **South Australian Gas Project (Eden 100%)**

Eden is accelerating the "Right to Negotiate process," necessary for the grant of Petroleum Exploration Licence application 183.

Positive preliminary discussions were held with the Native Title claimant group's lawyer and draft document preparation is underway.

Eden has been informed that PIRSA is now proceeding to prepare formal notice and formal correspondence to instigate the legal process.

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The notification period of four months starts from PIRSA's formal notification - formal negotiations in respect to this process must be conducted on a tri-partite basis. The entire process is estimated to take until May 2007.

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 by 10km, which is large enough to potentially contain a very significant quantity of hydrocarbons.

**Auditor's Declaration**

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* for the half-year ended 31 December 2006 is set out on page 11.

This report is signed in accordance with a resolution of the Board of Directors.

Director



\_\_\_\_\_  
*Gregory Howard Solomon*

Dated this 14<sup>th</sup> day of March 2007

**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 half year ended 31 December 2006, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

**BENTLEYS MRI PERTH PARTNERSHIP**



**M J HILLGROVE**  
Partner

Dated this 14<sup>th</sup> day of March 2007.

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**CONDENSED INCOME STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

	Note	Economic Entity	
		31 Dec 2006	31 Dec 2005
		\$	\$
Revenue	3	232,181	19,413
Cost of sales		(84,529)	-
Advertising and marketing		(82,990)	-
Employee benefits expense		(1,221,896)	(120,952)
Depreciation and amortisation expense		(30,052)	-
Finance costs		(4,290)	-
Research expenditure written-off		(146,842)	(40,000)
Administration expenses		(684,537)	(88,457)
Loss before income tax		<u>(2,022,955)</u>	<u>(229,996)</u>
Income tax expense		-	-
Loss from continuing operations		<u>(2,022,955)</u>	<u>(229,996)</u>
Loss for the period		<u>(2,022,955)</u>	<u>(229,996)</u>
Loss attributable to members of the parent entity		<u><u>(2,022,955)</u></u>	<u><u>(229,996)</u></u>
 <b>Overall Operations</b>			
Basic earnings per share (cents per share)		(1.6535)	(0.2702)

The accompanying notes form part of these financial statements.

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**CONDENSED BALANCE SHEET AS AT 31 DECEMBER 2006**

	Note	Economic Entity	
		31 Dec 2006	30 June 2006
		\$	\$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		4,132,412	6,930,339
Trade and other receivables		87,435	135,897
Inventories		28,492	27,510
Other current assets		73,949	35,651
<b>TOTAL CURRENT ASSETS</b>		<u>4,322,288</u>	<u>7,129,397</u>
<b>NON-CURRENT ASSETS</b>			
Receivables		54,191	54,191
Financial assets		799,052	627,721
Property, plant and equipment		396,334	290,463
Intangible assets		7,448,928	7,450,282
Other non-current assets		193,481	176,635
<b>TOTAL NON-CURRENT ASSETS</b>		<u>8,891,986</u>	<u>8,599,292</u>
<b>TOTAL ASSETS</b>		<u>13,214,274</u>	<u>15,728,689</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		331,822	662,789
Short-term borrowings		47,193	42,128
<b>TOTAL CURRENT LIABILITIES</b>		<u>379,015</u>	<u>704,917</u>
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables		-	130,942
Long-term borrowings		34,399	69,674
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>34,399</u>	<u>200,616</u>
<b>TOTAL LIABILITIES</b>		<u>413,414</u>	<u>905,533</u>
<b>NET ASSETS</b>		<u>12,800,860</u>	<u>14,823,156</u>
<b>EQUITY</b>			
Issued capital		17,015,088	17,014,429
Reserves		26,270	26,270
Accumulated losses		(4,240,498)	(2,217,543)
<b>TOTAL EQUITY</b>		<u>12,800,860</u>	<u>14,823,156</u>

The accompanying notes form part of these financial statements.

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**CONDENSED STATEMENT OF CHANGES IN EQUITY**

	\$	\$	\$	\$	\$
	<b>Issued Capital</b>			<b>Minority Equity Interests</b>	
<b>Note</b>	<b>Ordinary</b>	<b>Option Reserve</b>	<b>Accumulated Losses</b>		<b>Total</b>
<b>Balance at 1.7.2005</b>	4,224,625	25,820	(477,069)	-	3,773,376
Shares issue costs during the period	(154,747)	-	-	-	(154,747)
Loss attributable to members of parent entity	-	-	(229,996)	-	(229,996)
Revaluation increment	-	450	-	-	450
Sub-total	4,069,878	26,270	(707,065)	-	3,389,083
Dividends paid or provided for	-	-	-	-	-
Balance at 31.12.2005	4,069,878	26,270	(707,065)	-	3,389,083
<b>Balance at 1.7.2006</b>	17,014,429	26,270	(2,217,543)	-	14,823,156
Shares issued during the period	3,700	-	-	-	3,700
Shares issue costs during the period	(3,041)	-	-	-	(3,041)
Loss attributable to members of parent entity	-	-	(2,022,955)	-	(2,022,955)
Subtotal	17,015,088	26,270	(4,240,498)	-	12,800,860
Dividends paid or provided for	-	-	-	-	-
Balance at 31.12.2006	17,015,088	26,270	(4,240,498)	-	12,800,860

The accompanying notes form part of these financial statements.

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**CONDENSED CASH FLOW STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

	<b>Economic Entity</b>	
	<b>31 Dec 2006</b>	<b>31 Dec 2005</b>
	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	105,716	-
Payments to suppliers and employees	(2,266,102)	(317,915)
Interest received	112,727	19,413
Goods and Services Tax refunds	85,212	11,583
Bonds on tenements	-	(50,000)
Net cash provided by (used in) operating activities	<u>(1,962,447)</u>	<u>(336,919)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash acquired on acquisition of associated entities	-	136,943
Investment in associated entities	-	(1,392,305)
Payment for acquisition of intangibles	(159,032)	-
Purchase of property, plant and equipment	(140,693)	-
Exploration expenditure	(9,390)	(79,449)
Investment in joint venture	(198,267)	(177,886)
Repayment of loans from associated entities	(268,606)	(9,204)
Loans other	-	(38,367)
Net cash provided by (used in) investing activities	<u>(775,988)</u>	<u>(1,560,268)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	3,700	-
Share issue costs	(63,192)	(142,858)
Net cash provided by (used in) financing activities	<u>(59,492)</u>	<u>(142,858)</u>
Net increase/(decrease) in cash held	(2,797,927)	(2,040,045)
Cash at beginning of period	6,930,339	2,289,658
Cash at end of period	<u><u>4,132,412</u></u>	<u><u>249,613</u></u>

The accompanying notes form part of these financial statements.

**EDEN ENERGY LIMITED ABN 58 109 200 900  
AND CONTROLLED ENTITIES**

**Interim Financial Report**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

**NOTE 1: CORPORATE INFORMATION**

The financial report of Eden Energy Limited (the Company) for the half-year ended 31 December 2006 was authorised for issue in accordance with a resolution of the directors on 14 March 2007. Eden Energy Limited is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in note 3.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the annual financial report of Eden Energy Limited as at 30 June 2006.

It is also recommended that the half-year financial report be considered together with any public announcements made by Eden Energy Limited and its controlled entities during the half-year ended 31 December 2006 in accordance with continuous disclosure obligations arising under the *Corporations Act 2001*.

**(a) Basis of Preparation**

The half-year consolidated financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, applicable Accounting Standards, including AASB 134: *Interim Financial Reporting* and other mandatory professional reporting requirements. The half-year financial report has been prepared on a historical cost basis, except for investment properties, land and buildings, derivative financial instruments and available-for-sale investments that have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and are otherwise carried at cost, are adjusted to record changes in the fair values attributable to risks that are being hedged.

The financial report is presented in Australian dollars.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

**(b) Significant Accounting Policies**

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2006.

**(c) 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.

All controlled entities have a December half-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.



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**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

NOTE 3: PROFIT FROM ORDINARY ACTIVITIES

	<b>Economic Entity</b>	
	<b>31 Dec 2006</b>	<b>31 Dec 2005</b>
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
Sales revenue	119,454	-
Interest income	112,727	19,413
Total revenue	<u>232,181</u>	<u>19,413</u>

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**Interim Financial Report**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

NOTE 4: SEGMENT INFORMATION

2006

(i) Geographical

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

(ii) Business

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

**Primary reporting — Geographical segments**

	Australia	United States	Ireland	Singapore	Eliminations	Economic Entity (Continuing Operations)
	\$	\$	\$	\$	\$	\$
2006						
Sales Revenue	-	119,454	-	-	-	119,454
Other income	112,727	-	-	-	-	112,727
Total segment revenue	112,727	119,454	-	-	-	232,181
Unallocated revenue	-	-	-	-	-	-
Total revenue	112,727	119,454	-	-	-	232,181
Segment Result	(346,417)	(1,121,702)	(526,658)	(28,178)	-	(2,022,955)
Unallocated expenses net of unallocated revenue	-	-	-	-	-	-
Loss before income tax	(346,417)	(1,121,702)	(526,658)	(28,178)	-	(2,022,955)
Income tax expense	-	-	-	-	-	-
Loss after income tax	(346,417)	(1,121,702)	(526,658)	(28,178)	-	(2,022,955)

2005

(i) Geographical

During the comparative period the economic entity operated predominately in Australia

(ii) Business

During the comparative period the economic entity operated predominately in the energy sector.

NOTE 5: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

NOTE 6: RELATED PARTY TRANSACTIONS

	<b>Economic</b>	
	<b>31 Dec 2006</b>	<b>31 Dec 2005</b>
	<b>\$</b>	<b>\$</b>
<p>Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.</p> <p>Transactions with related parties:</p>		
<b>a. Key Management Personnel</b>		
Management fees and administration fees paid to Princebrook Pty Ltd, a company in which Mr GH Solomon and Mr DH Solomon have an interest.	63,000	63,000
Legal and professional fees paid to Solomon Brothers, a firm of which Mr GH Solomon and Mr DH Solomon are partners.	62,892	1,364
Professional fees paid to RM Capital Pty Ltd, a company in which Mr GT Le Page is a director and shareholder.	6,000	-
	<b>31 Dec 2006</b>	<b>30 June 2006</b>
	<b>\$</b>	<b>\$</b>
Loan to Mr G Egan on interest-free terms, repayable on demand	38,368	38,368

NOTE 7: EVENTS SUBSEQUENT TO REPORTING DATE

Since 31 December 2006, Eden Energy Limited (Eden) has issued a total of 104,500 ordinary fully paid shares as a result of the exercise of options expiring 30 September 2009. These options were exercised at 20 cents raising a total of \$20,900.00.

In January 2007, Eden issued to Taylor Collison Limited 4,000,000 options (exercisable at 20 cents on or before 5 June 2009). In accordance with the agreement with Taylor Collison Limited (brokers to the issue), Eden was to issue these options at the time of listing. This had previously been overlooked. The options are to be held in escrow until 6 June 2008.

In February 2007 a total of 11,556,429 fully paid ordinary shares at an issue price of \$0.35 per share raising a total of \$4,044,750.20. These shares have been issued to Australian investors in accordance with sections 708(1) and 708(8) of the Corporations Act 2001 ("the Act") and under the 15% placement rule of the Australian Stock Exchange Listing Rules. A commission of 5% is payable to Australian Financial Services Licensees in respect of the funds raised.

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**Interim Financial Report**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

NOTE 7: EVENTS SUBSEQUENT TO REPORTING DATE (CONT'D)

These funds will be used for the following purposes:-

1. to expand and accelerate the marketing of Hythane® in India and other markets;
2. to fund an expanded drilling program for coal bed methane and Natural Gas in Wales;
3. to provide additional capital in relation to the exploration on the Company's geothermal and Natural Gas targets in Australia; and
4. to provide further funds to meet the Company's ongoing working capital requirements.

Since 31 December 2006 Eden's subsidiary Brehon Energy plc (Incorporated in Ireland) was reregistered as a private company to become Brehon Energy Limited. Application has subsequently been lodged to change the name to Eden Innovations Limited.

Brehon Cryogenics LLC (registered in Delaware USA), a Brehon Energy Limited subsidiary, has changed its name to Eden Cryogenics LLC.

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.

**EDEN ENERGY LIMITED ABN 58 109 200 900  
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**Interim Financial Report**

**DIRECTORS' DECLARATION**

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 12 to 20:
  - a. comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations; and
  - b. give a true and fair view of the economic entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Director



---

G H Solomon

Dated this 14th day of March 2007

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

### **Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Eden Energy Ltd and controlled entities, which comprises the condensed balance sheet as at 31 December 2006, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a description of accounting policies, other selected explanatory notes and the directors' declaration.

### ***Directors' Responsibility for the Half-year Financial Report***

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

### ***Auditor's Responsibility***

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Eden Energy Limited and controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### ***Independence***

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

**Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Eden Energy Limited and controlled entities is not in accordance with the *Corporations Act 2001* including:

- a) Giving a true and fair view of the consolidated company's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- b) Complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

**BENTLEYS MRI PERTH PARTNERSHIP**



**M J HILLGROVE**  
Partner

Dated this 14<sup>th</sup> day of March 2007.