



EDEN ENERGY LTD

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ASX QUARTERLY REPORT FOR PERIOD ENDED 30TH SEPTEMBER 2006

HIGHLIGHTS

Hythane®

- Hythane Co wins major US Department of Energy contract for Hythane® trial.
- Negotiations continued with major Indian parties for Hythane® trials and engine conversions in India.
- Negotiations with Italian groups for Hythane® trials continued.

Hydrogen R&D

- Encouraging preliminary results from R&D with University of Queensland for low cost production of hydrogen from Natural Gas.
- New patent application lodged for use of Hythane® fuel with stoichiometric engines, to enable significantly improved efficiency.

Wales – Coal Bed Methane

- The drilling contractor previously identified for drilling three CBM test wells in South Wales was unable to supply the drilling rig as promised. Advanced negotiations with a major Australian CBM drilling contractor to undertake drilling the test wells are underway. Eden is hopeful that drilling can commence early in 2007.

Wales – Abandoned Mine Methane

- Site preparations for the first of the Welsh AMM drill holes have commenced with drilling expected in January 2007.

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 these 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_x 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 Progress

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

1. USA

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, 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.

US Hythane® Demonstration Projects

Negotiations are now well advanced in relation to several major Hythane® demonstration projects in both California and NE USA. All of the projects are awaiting funding through various government programs, and it is hoped that at least one of these projects will start during the last quarter of 2006.

2. India

Negotiations were significantly advanced in relation to an initial Hythane® engine conversion of a leading Indian natural gas bus engine and establishment of a joint venture operating company.

It is hoped that the first engine, which will be produced by a company that supplies a large percentage of all buses in India, will be delivered to Colorado before the end of November 2006 for conversion to Hythane®.

This will enable Hythane Co 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. Two bus demonstration projects in major Indian cities have been negotiated and are scheduled to occur later in the first half of 2007.

The Indian Government has announced that over 40 additional major Indian cities are proposed to be connected to Natural Gas. This expansion, when added to the three major existing Natural Gas markets of Delhi, Mumbai and Gujarat, will make Natural Gas available to more than 60% of the Indian population which is now 1.1 billion people.

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®.

3. China

Eden proposes to progress the marketing of Hythane® into the huge emerging Chinese Hythane® market over the next 6-12 months, possibly through seeking a joint venture partner to assist in the marketing of Hythane® in China.

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.

4. Europe

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.

Cryogenics

Brehon Cryogenics plc, a wholly owned subsidiary that manufactures and markets cryogenic valves, pipes and fittings, continued to grow, securing three orders from NASA and one from a major soft drink manufacturer for supply of cryogenic fittings.

New Patents and Technology

Eden's joint venture research and development project with the University of Queensland (which received a significant grant from the Australian Research Council) into low cost production of hydrogen from methane, without producing CO₂, is progressing well with preliminary work showing promising results in the efficiency and operating conditions of the process. The project has the potential to deliver a process for "carbon-free" production of hydrogen with the possibility that all carbon from the methane could be captured in a saleable by-product.

Brehon has also lodged during the quarter, a potentially important patent application related to the use of Hythane® with stoichiometric gas engines, which has the potential to significantly improve the efficiency of these type of engines.

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

During the quarter, work continued with obtaining permits for drilling a series of coal bed methane and coal mine methane drill holes during the second half of 2006 and securing contractors for different phases of the programmes.

Coal Bed Methane

Permitting for all coal bed methane test well sites is now complete.

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.

Eden had planned to commence drilling the initial three test wells in South Wales in the last quarter of 2006. However, the drilling contractor Eden identified has notified Eden that due to unavoidable problems with the delivery date of the new rig it had planned to use for the job, they will be unable to drill the wells. Eden is now in advanced negotiations with a major Australian CBM drilling contractor to undertake the South Wales drilling. It is now anticipated that the coal bed methane test well programme in South Wales will commence during the first quarter of 2007 and take 2-4 months to complete.

Abandoned Mine Methane

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.

Only one permit type remains outstanding for the initial two AMM projects at St Johns and COSi. The coal access agreements are going through the consultation process at the Coal Authority and are due around December 2006.

Site preparations including detailed surveying to place the holes over the appropriate parts of the old mine workings and drill pad preparation have commenced. Eden has been advised that the final permits are likely to be granted in December 2006 and drilling of these holes is anticipated to start during January or February 2007.

South Australian Gas Project (Eden 100%)

As reported last quarter, 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.

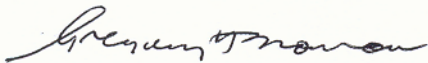
The notification period of four months starts from PIRSA's formal notification - formal negotiations in respect to this process must be conducted on a tri-partite basis. The entire process is estimated to take until May 2007.

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.

Geothermal Exploration (Eden 100%)

Eden holds eight geothermal exploration licences in South Australia: GELs 166, 167, 168, 169, 175, 176, 177 and 185. Applications for SA Government PACE funding to assist in meeting the costs of drilling preliminary holes to test heat flow gradient were submitted for the Witchellina and Renmark Projects. If successful, it is hoped that drilling would take place during the first half of 2007.



Greg Solomon
Executive Chairman

The interpretations and conclusions reached in this report are based on current geological theory and the best evidence available to the authors at the time of writing. It is the nature of all scientific conclusions that they are founded on an assessment of probabilities and, however high these probabilities might be, they make no claim for complete certainty. Any economic decisions that might be taken on the basis of interpretations or conclusions contained in this report will therefore carry an element of risk.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

EDEN ENERGY LIMITED

ABN

58 109 200 900

Quarter ended ("current quarter")

30 SEPTEMBER 2006

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (3 months) \$A'000
1.1	Receipts from product sales and related debtors	0	0
1.2	Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(7)	(7)
1.3	Dividends received	(958)	(958)
1.4	Interest and other items of a similar nature received	0	0
1.5	Interest and other costs of finance paid	61	61
1.6	Income taxes paid – GST Paid	(2)	(2)
	Income Taxes – GST Refunds Received	(20)	(20)
1.7	Other (provide details if material)- Research & Development –Hydrogen production	67	67
		(47)	(47)
	Net Operating Cash Flows	(906)	(906)
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a)prospects (b)equity investments (c)other fixed assets	0	0
		(126)	(126)
		(60)	(60)
1.9	Proceeds from sale of: (a) prospects (b)equity investments (c) other fixed assets	0	0
		0	0
		0	0
1.10	Loans to other entities	0	0
1.11	Loans repaid by other entities	0	0
1.12	Other (provide details if material)	0	0
	Net investing cash flows	(186)	(186)
1.13	Total operating and investing cash flows (carried forward)	(1,092)	(1,092)

1.13	Total operating and investing cash flows (brought forward)	(1,092)	(1,092)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	1	1
1.15	Proceeds from sale of forfeited shares	0	0
1.16	Proceeds from borrowings	0	0
1.17	Repayment of borrowings	(14)	(14)
1.18	Dividends paid	0	0
1.19	Other (provide details if material)		
	Option Agreement Payment	(135)	(135)
	Share Issue Costs	(63)	(63)
Net financing cash flows		(211)	(211)
Net increase (decrease) in cash held		(1,303)	(1,303)
1.20	Cash at beginning of quarter/year to date	6,930	6,930
1.21	Exchange rate adjustments to item 1.20	0	0
1.22	Cash at end of quarter	5,627	5,627

**Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	234
1.24	Aggregate amount of loans to the parties included in item 1.10	0

1.25 Explanation necessary for an understanding of the transactions

Management Fees, as per agreement, were paid during the quarter to a company of which Mr GH Solomon and Mr DH Solomon are directors.
Legal Fees were paid during the quarter to a firm of which Mr GH Solomon and Mr DH Solomon are partners.
Bona-fide reimbursement of expenses for the period to 30 September 2006
Directors Fees and Superannuation paid during the period.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Not applicable

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	50
4.2 Development	
Total	50

Subsequent to end of quarter additional capital has been raised to fund part of this expenditure.

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	5,627	6,930
5.2 Deposits at call	0	0
5.3 Bank overdraft	0	0
5.4 Other (provide details)	0	0
Total: cash at end of quarter (item 1.22)	5,627	6,930

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			
	Geothermal Licences held in the name of Eden Energy Ltd			
	GEL 166	Licence granted	100%	100%
	GEL 167	Licence granted	100%	100%
	GEL 168	Licence granted	100%	100%
	GEL 169	Licence granted	100%	100%
	GEL 175	Licence granted	100%	100%
	GEL 176	Licence granted	100%	100%
	GEL 177	Licence granted	100%	100%
	GEL 185	Licence granted	100%	100%
	Outstanding Petroleum Exploration Licence Application in the Name of Eden Energy Ltd PELA 183			

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference +securities (description)			
	NOT APPLICABLE			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			
7.3	122,334,993	67,177,606		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs			
	5,000		Options exercised 20 cents	20 cents
7.5	+Convertible debt securities (description)			
	NOT APPLICABLE			

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options	86,848,165 950,000	32,751,303 NIL	<i>Exercise price</i> 20 cents 25 cents	<i>Expiry date</i> 30 Sep 2009 30 Aug 2009
7.8	Issued during quarter	950,000	NIL	25 cents	30 Aug 2009
7.9	Exercised during quarter	5,000		20 cents	
7.10	Expired during quarter	NIL	NIL		
7.11	Debentures <i>(totals only)</i>	NOT APPLICABLE			
7.12	Unsecured notes <i>(totals only)</i>	NOT APPLICABLE			

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

RAYMOND FRANCIS BUSCALL – COMPANY SECRETARY

Date: 31 October 2006

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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