



ABN 79 118 065 704

QUARTERLY ACTIVITIES REPORT

JULY 2008

HIGHLIGHTS

- **Geothermal Alliance Agreement signed with AGL, Australia's largest power utility and renewable energy operator, to jointly develop commercial geothermal power on the National Grid.**
- **AGL issued a 9.9% cornerstone shareholding through securities purchased at a price of \$0.40 (\$2.2m) - AGL seeks to expand its Australian renewable energy position through its arrangement with Torrens Energy.**
- **Under the Agreement, AGL can acquire a 50% JV interest in "hot spots" identified by Torrens Energy, by sole funding the completion of a deep well (estimated cost \$10m) at each geothermal prospect.**
- **Four additional Geothermal Exploration Licences granted north of Port Augusta, consolidating the northern "hot spot" extension of the Parachilna Prospect (Beltana Project) to be included in the Company's project pipeline.**
- **Dominant land position furthered secured proximal to energy infrastructure, providing a potential commercial advantage over companies exploring in areas unsupported by existing power networks.**
- **Torrens Energy's extensive landholding now the largest in South Australia, bringing the total to 21 licences aggregating approximately 10,000 km².**
- **Highly prospective geothermal geology identified at Parachilna with final modelled temperatures of up to 260°C+, increasing "hot spot" anomaly to 800km².**
- **Drilling contract signed for forthcoming exploration season.**
- **The Company currently has a cash balance of \$6.7million.**

SUMMARY

The June Quarter represents a watershed for Torrens Energy Limited (Torrens Energy); in addition to establishing the highest verified heat flow values on the grid in Australia, the Company has aligned with the largest conventional and renewable energy company in Australia, AGL, in an exclusive arrangement as its development partner.

In addition Torrens Energy completed final temperature modelling for from the previous Quarter, that establish the Parachilna Project as a first rate exploration success.

The Company continued its aggressive land acquisition strategy with an additional four Geothermal Exploration Licences (GELs 407-410) granted, consolidating the northern extension of the Parachilna Project. The Company's extensive landholding is now the largest in South Australia, bringing to 21 the total number of licences aggregating approximately 10,000 km².

With its dominant land position uniquely secured proximal to power infrastructure, excellent "hot rock" exploration results and a strong and experienced development partner, Torrens Energy is poised to lever from its commercial advantages and emerge as Australia's leading geothermal energy provider.

EXPLORATION

Final Results at Parachilna Project Increase Heat Anomaly Area

Final heat flow values received from the two remaining wells, Balrog #1 and Gandalf #1, complete the data collected from the first round of exploration drilling. Balrog #1 and Gandalf #1 heat flows were 95 and 85 mW/m² respectively. Temperature modelling shows that temperatures of over 200°C are achievable at approximately 5000m depth across a large area, which is well within the range required for "hot rock" base-load power generation.

Final results from the 2007-2008 drilling programme are summarised as follows:

Hole Name	Northing*	Easting*	Hole Depth	Heat flow	T @ 5000m***
Nazgul 1	6,558,636	228,175	600m	106 mW/m ²	260°C ± 6°C
Sauron 1	6,546,894	231,051	375m	106 mW/m ²	258°C ± 6°C
Balrog 1	6,537,810	240,075	507m	95 mW/m²	234°C ± 5°C
Gollum 1	6,551,120	247,129	501m	90 mW/m ²	222°C ± 5°C
Gandalf 1	6,533,218	231,885	585m	85 mW/m²	206°C ± 5°C
Torrens 1**	6,488,846	221,583	760m	82 mW/m ²	180°C ± 10°C
Edeowie 1	6,534,753	255,505	759m	70 mW/m ²	160°C ± 5°C

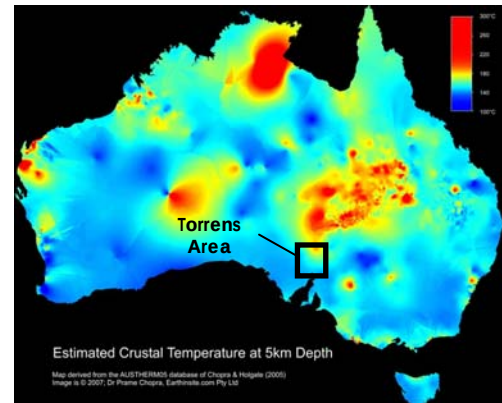
*Coordinates are in the GDA 94 Datum, using the UTM (Zone 54) projection. **Torrens 1 was measured shortly after drilling and is therefore not equilibrated. ***Estimated temperatures at 5000m depth are modelled from near-surface heat flow data collected from drilling, and measured or assigned thermal conductivities, with geological profiles taken from existing mapping and modelling, potential field modelling and current drilling data.

Results returned show that average heat flow values are often well above the Company's stated target, and comparable to those in the Cooper Basin. Interpretation has defined a large and spatially continuous area of previously unmapped high heat flow, open to the north.

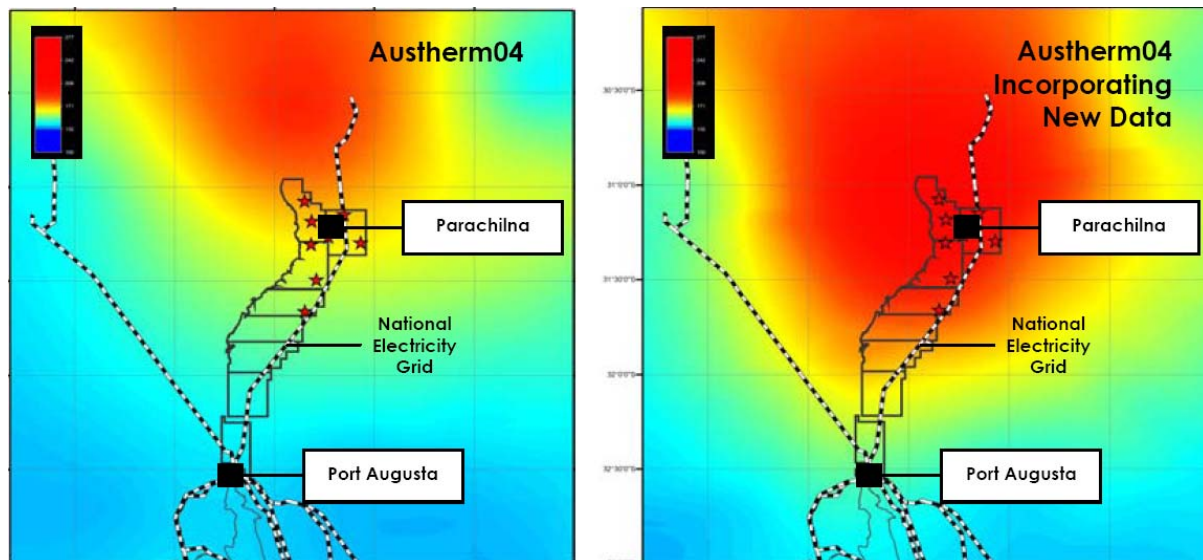
The Company believes that through continued exploration a substantial geothermal resource can be defined at the Parachilna Project, which would represent the only geothermal resource established on the electricity grid in Australia.

Austherm Revisited

The Austherm Map (right) represents estimated "hot rock" temperatures at 5000m depth across Australia (Chopra & Holgate, 2005). It is biased toward areas for which historic data is available, but has nevertheless been adopted as an indication of Australian geothermal prospectivity, despite its shortcomings.



Modelled temperatures (above) have been incorporated into the Austherm map to create a new gridded image for the Torrens Project Area (below).



Anomalous values, previously confined to the north (above left), extend much further south when recent exploration results are taken into account.

This shows that systematic exploration has fundamentally changed the prospectivity landscape for "hot rock" geothermal in South Australia, and within reach of the national electricity grid.

New GELs Granted, Beltana Project Established

Torrens Energy continued its aggressive land acquisition strategy in the June Quarter, with the granting of GELs 407, 408, 409 and 410, to the north of Parachilna Project, South Australia - the **"Beltana Project"**. The newly granted GELs incorporate the corridor of high heat flow discovered at the Parachilna Project to the south of the newly acquired area with prospective insulating sedimentary rocks, straddling the national electricity grid.

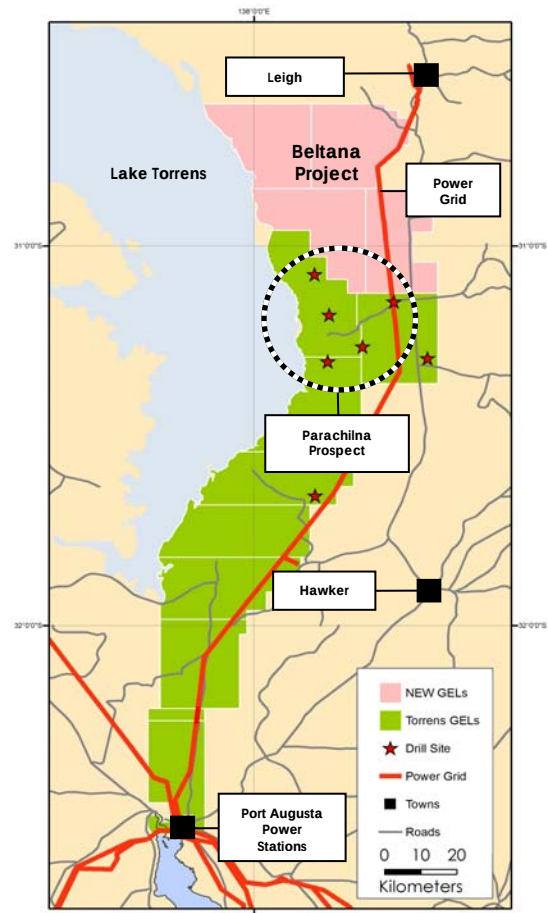
CEO Chris Matthews commented: "the Beltana Project (right) is an excellent acquisition, which consolidates our strategic position in the Torrens Hinge Zone. We now have all of the key ground in this region that intersects the National Power Grid, in a zone that has been proven to have high heat flow and insulating sedimentary cover."

Drilling Contract Signed

Torrens is pleased to announce that it has signed a contract with Watson Drilling to conduct drilling operations in its upcoming exploration programme.

Building on the successful 2007-2008 exploration programme at the Parachilna Project, Torrens Energy plans to drill in three key locations in 2008-2009 – the Adelaide Plains, Port Augusta and Port Adelaide Projects.

A start date for drilling operations will be announced in the near future, once government compliance has been completed and regulatory approvals are in place.



CORPORATE

Geothermal Alliance Agreement ("GAA") with AGL Energy Limited

Torrens Energy is pleased to announce the signing of a Geothermal Alliance Agreement with iconic Australia integrated energy company, AGL Energy Limited ("AGL").

AGL has Australia's largest energy customer base, incorporating a diverse power portfolio, spread across traditional energy generation as well as renewables including hydro, wind, landfill gas and biomass. AGL is Australia's largest private owner and operator of renewable energy.

Broad Terms of the GAA

- Torrens Energy, as the upstream explorer, will initiate geothermal project generation through the systematic application of its 3D-TFM exploration methodologies across its landholdings.
- Torrens Energy aims to establish a “project pipeline”, with multiple geothermal “hot spots” defined proximal to the grid and other power infrastructure north of Adelaide, Port Augusta and near Melbourne.
- Torrens Energy will advance development through to delineating sites for a deep confirmation well for each project’s. These newly defined geothermal resources will be “carved out” to form a “JV Area”.
- AGL will have the first right to earn-in 50% to each “JV Area” by sole funding the completion of the confirmation well to target depth (approximately 4000 - 5000m), including all matters relating to permitting and approvals.
- On completion of the confirmation well to target depth, AGL will be regarded as having earned a 50% beneficial interest in the JV Area, and Torrens Energy and AGL will form a joint venture with the aim of developing the defined resource on a 50/50 participating interest basis.
- If AGL elects not to exercise its first right, or does not complete the confirmation well to target depth, AGL will have no beneficial interest and Torrens Energy will be free to deal with the “JV Area” as it sees fit.

Other Key Elements of the GAA

- AGL will be the drilling operator for each confirmation well, and be responsible for contracting a suitable drilling rig, and all issues relating to permitting and approval.
- Once the 50/50 Joint Venture is formed, AGL will manage the construction of the associated power generation infrastructure, and purchase the electricity (or other products) at market rates.
- If Torrens Energy elects to withdraw from a Joint Venture project it will instead receive a 2.5% “free carried” royalty on revenues (including carbon credits), payable 5 years after the date of first commercial production.
- Under the terms of the Agreement, AGL does not have a first right to geothermal desalination opportunities or the pre-heating of power stations not owned by AGL.
- The GAA is four-year bilateral alliance, in that AGL is also bound to bring any newly acquired geothermal opportunities to the attention of Torrens Energy, for the purposes of joint participation through a JV.

Summary of Key Strengths

Fundamentally, the GAA sees both companies well placed to apply their respective expertise to lead the development of commercial geothermal baseload electricity in Australia. Director John Canaris commented: **“Torrens Energy’s fully funded exploration project pipeline aims to deliver multiple “hot spots” on the grid in South Australia, to be advanced through deep drilling and power generation through the joint participation of the companies”.**

“The Board believes that there is considerable value implied in the Agreement, with AGL bearing 100% of the initial heavy risk of cost overruns frequently experienced when deep drilling; AGL’s initial earn-in participation costs of approximately \$10million on each project, when compared against the relatively moderate costs borne by Torrens Energy to bring geothermal projects to the Joint Venture, represents a significant uplift in shareholder value for Torrens Energy.”

“In its broad context the Geothermal Alliance will deliver to Torrens Energy, with AGL’s initial participation confirming the temperature and geothermal reservoir at full depth, a 50% stake in a succession of “de-risked” geothermal projects, in a JV partnership with a committed and experienced renewable utility operator.”

John Canaris believes “The net downstream benefits of the Alliance will be long lived, with Torrens Energy shareholders placed in a strong position, with respect to dilution and the Company’s ability to access new capital, to maintain their interest through to baseload electricity development.

He added; “The exclusivity of the agreements, with both companies bound to bringing new projects on the electricity grid to the Alliance, will see Torrens Energy well placed to gain exposure to new geothermal opportunities, with an ideal development partner”.

Financial Position

The current cash at bank is \$6.7million.

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The information in this report relating to exploration results is reported in accordance with the Australian Geothermal Energy Group, Geothermal Code Committee “Draft Code for Geothermal Resources and Reserves Reporting”, Version 2.0 (February 2008). The information is based on information compiled by Chris Matthews, who is a Competent Person as defined by the Draft Code. Chris Matthews is a full time employee of the Company and has more than 5 years experience in the reporting of resource exploration and geothermal. Chris Matthews has consented to the inclusion in this report of the numbers based on the information in the form and context in which it appears.