TORRENS ENERGY LIMITED

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

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CORPORATE DIRECTORY

Directors	Dennis Gee (Non-Executive Chairman) John Canaris (Non-Executive Director) David Eiszele (Non-Executive Director) Marcus Gracey (Non-Executive Director)
Chief Executive Officer	Chris Matthews
Exploration Manager	Bruce Godsmark
Company Secretary	Jade Styants
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Website	www.torrensenergy.com
Share Registry	Computershare Investor Services Pty Ltd Level 2, Reserve Bank Building 45 St Georges Terrace Perth WA 6000 Telephone: +61 8 9323 2000 Facsimile: +61 8 9323 2033
Auditors	PKF Chartered Accountants & Business Advisors Level 7, BGC Centre 28 The Esplanade Perth WA 6000
Solicitors	Steinepreis Paganin Level 4, 16 Milligan Street Perth WA 6000
Stock Exchange Listing	Australian Stock Exchange Limited ASX Code: TEY, TEYO

CHAIRMAN'S REPORT

Dear Shareholders and other interested persons,

In our second year as a geothermal exploration company we have made great advances toward becoming a force in the Australian geothermal energy scene. This year Torrens Energy has focused on its core business, which is to discover geothermal heat resources located proximal to electrical connection points that will achieve competitive entry into the national electricity markets.

The details of our activities are given in the following operation report of our CEO Chris Matthews. But let me focus on two important happenings that have addressed our primary objective.

Firstly we have delivered a significant "code-compliant" resource from our very first heat-drilling program. Using three-dimensional computer modelling of measured temperature, heat flow and thermal conductivity data, we have been able to quantify the contained heat energy at depth in defined volumes of potentially favourable reservoir rocks. From this we can infer rock temperatures at reasonable depths capable of providing hot fluids for the generation of electrical energy. This has defined the "Parachilna resource", which will be a quality target for proof-of-concept deep drilling. This exploration work was partially funded by the Australian Government REDI scheme, and is a clear demonstration of what can be achieved by corporate innovation and government incentive.

The successful definition of the Parachilna resource is a major strategic milestone for Torrens Energy. Not only does it vindicate the original concept of focussing on the geological unit called the Torrens Hinge Zone in close proximity to existing transmission lines, but it raises the real possibility of the Torrens Hinge Zone becoming a nationally important geothermal field. Indeed in an important strategic decision, we have accelerated our heat-drilling program, with a view to identifying at least three new geothermal plays that will present quality targets for deep drilling in the next three years.

The second major happening during the year, was the development of an alliance with the iconic Australian company AGL Energy. This again accords with our primary focus of electricity generation along the Torrens Hinge Zone. AGL Energy will therefore become a contributing partner in the development and exploitation of geothermal resources identified by Torrens Energy, whilst we retain control and full equity in our exploration tenements. AGL Energy with its technical and marketing experience in a range of energy developments will be a valuable partner for Torrens Energy in the pursuit of its strategic goals.

This year we spent approximately $2.1 million on direct exploration, and at years end remain with $4.6 million in the bank. This is sufficient funds to undertake the major exploration program we envisage. This is a healthy position for a geothermal exploration company and allows us to meet our obligations for proof-of-concept developments, and to facilitate business development including "direct-use" opportunities such as geothermal desalination.

I wish to thank all those associated with Torrens Energy for a year of discovery and growth, with particular thanks going to our CEO Chris Matthews whose original vision has been vindicated.

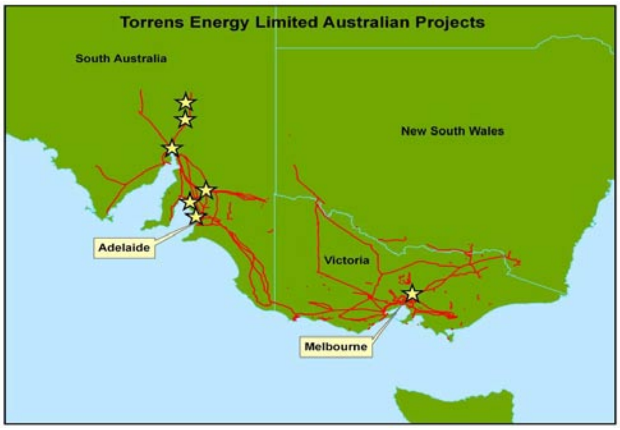
Dr Dennis Gee
Chairman

HIGHLIGHTS

- Established portfolio of 21 Geothermal Exploration Licences (GEL's) for over 9,500km^2 of highly prospective geothermal geology in South Australia, with a further 2,000km^2 under application. All GEL's adjacent to power infrastructure, major roads and the national power grid.
- Geothermal Exploration Permit on outskirts of Melbourne, Victoria.
- Signing of Geothermal Alliance Agreement between Torrens Energy Limited and AGL Energy Limited
- First exploration drilling programme at the Parachilna Project successful. High heat flows recorded, with the Torrens Hinge Zone exploration concept established.
- World's first 'hot rock' inferred resource estimated at the Parachilna Project, complies with newly ratified *Australian Code for Reporting of Exploration Results, Geothermal Resources and Geothermal Reserves (2008 Edition).*
- New Exploration manager appointed.
- Accelerated 2008-2009 exploration programme commenced on 11 September 2008.
- Representation on new industry body, the Australian Geothermal Energy Association (AGEA).

SUMMARY

Torrens Energy Limited (the "Company" or "Torrens Energy") has established itself as a major player in the Australian geothermal energy sector. The Company has achieved this status in a relatively short period of time since listing on the ASX in March 2007. The Company remains focused on the exploration for, and ultimately the development of, hot rock geothermal energy resources adjacent to key infrastructure.



Torrens Energy's activity centres on its South Australian portfolio of projects, with 21 granted geothermal exploration licences (GELs) over 9,500km^2 of acreage. The GEL coverage is based on the geological region known as the Torrens Hinge Zone, a region with an active heat source and proven insulating cover, which also is located in the heart of South Australia's power infrastructure. This highly prospective region includes the key power centres of Port Augusta and the Adelaide Plains themselves.

< Fig 1: Torrens Energy Australian Project Locations

In August 2007, the Company successfully secured $3m over 3 years in matched grant funding under the Australian Government's Renewable Energy Development Initiative, to bolster exploration efforts. This provided a strong endorsement of the Company's innovative exploration and resource definition methodology, as well as its visionary exploration concept that the Torrens Hinge Zone is prospective for hot rock geothermal energy.

The current year has seen this exploration concept validated, with high heat mapped on the power grid at the Company's wholly owned Parachilna Project north of Port Augusta.

This success has led to the establishment in July 2008 of a Geothermal Alliance Agreement (GAA) with AGL Energy Limited, Australia's largest power utility and renewable energy operator, to jointly develop commercial geothermal power for the National Grid. Under the terms of the GAA, AGL can acquire a 50% stake in 'hot spots' identified by Torrens Energy through sole funding the completion of a deep well to target depth at each geothermal prospect.

In addition, the Company's resource definition methodology, has defined the world's first Statement of Inferred Resources for hot rock geothermal.

These achievements demonstrate the Company's ability to deliver exploration success to its shareholders, which has added value to the rest of its acreage portfolio and as a result is leading the Australian Geothermal Sector in the quest for identifying hot rock resources in the heart of infrastructure.

Torrens Energy has established itself as one of Australia's most innovative and successful geothermal exploration companies. An extensive exploration programme is planned for 2008-2009, based on proven methodology.

ABOUT TORRENS ENERGY

The Company's primary goal is the exploration for, and development of, hot rock geothermal resources in the heart of infrastructure in South Australia, as well as Victoria.

Through innovative thinking and leading edge exploration methodologies, Torrens Energy has created an exceptional opportunity to develop sustainable, renewable, emissions-free geothermal energy and become a significant player in efficient, reliable electricity generation in the Australian National Electricity Market.

The Company has a large geothermal tenement holding in areas close to Adelaide and Port Augusta in South Australia as well as one large permit close to Melbourne in Victoria.

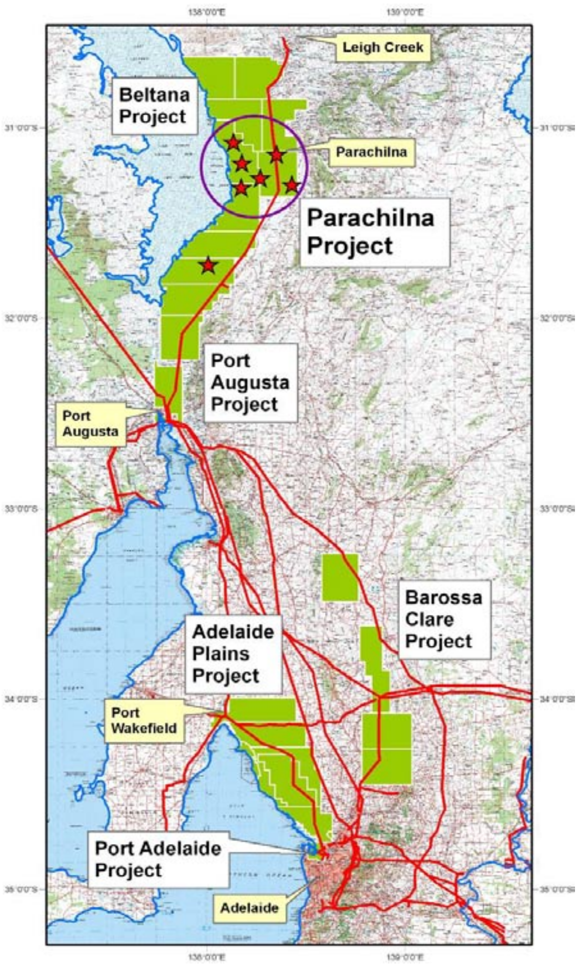


Fig 2: Torrens Energy's South Australian portfolio of GEL's highlighted in green. The stars represent wells drilled during the 2007-2008 exploration programme. The power grid is marked in red.

The South Australian acreage (Figure 2, above) is located over areas that are known for high heat flow, within the SA Heat Flow Anomaly, and coincide with the overlying insulating sedimentary cover required for high temperatures to accumulate. In addition, these highly prospective areas are located on the power grid, close to large energy markets.

In late 2007 and early 2008 Torrens Energy conducted its first exploration programme at the Parachilna Project. The exploration programme was a great success, with high heat flows recorded from all five wells drilled.

This success has led to the signing of a Geothermal Alliance Agreement between Torrens Energy and AGL Energy Limited during July 2008. A summary of this agreement can be found later in this report.

The Company is set to build on this success through the 2008-2009 exploration programme, in which Torrens Energy's innovative heat mapping methodology will be applied to three additional project areas being Port Augusta, Adelaide Plains and Port Adelaide.

2007- 2008 EXPLORATION PROGRAMME

Torrens Energy's first exploration heat mapping programme was focused on the Parachilna Project, north of Port Augusta in South Australia (figure 2). The programme was commenced on time and completed on budget.

Since drilling commenced in October 2007, five diamond holes were completed for approximately 2500m, and two existing holes re-entered and measured. Exploration activity covered approximately 2000km^2.

Exploration activity is supported by a matched \$3M Federal Government grant (total \$6M expenditure) under the Australian Government's Renewable Energy Development Initiative (REDI).

Continuous temperature logging was conducted at 1m intervals from surface to bottom of hole, using a thermistor probe. Each hole contains at least 200m of continuous core section, with conductivity samples taken every 7m on average. Table 1 summarises the results from this drilling programme.

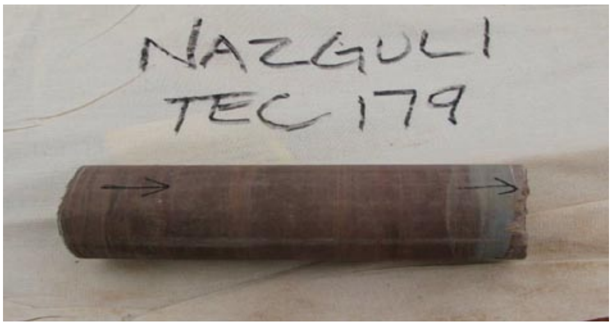
Fig 3: Torrens Energy drilling programme on the power grid, Parachilna Project 2007-2008.

These outstanding heat flow results constitute the discovery of a new area of high heat flow in the geological region known as the Torrens Hinge Zone, an overlap of the heat producing "Gawler Craton Olympic Domain" and the insulating "Adelaide Geosyncline" sedimentary basin (Figure 4).

Hole Name	Northing*	Easting*	Hole Depth	Heat flow
Nazgul 1	6,558,636	228,175	600m	120 mW/m^2
Sauron 1	6,546,894	231,051	375m	120 mW/m^2
Balrog 1	6,537,810	240,075	507m	110 mW/m^2
Gollum 1	6,551,120	247,129	501m	106 mW/m^2
Gandalf 1***	6,533,218	231,885	585m	116 mW/m^2
Torrens 1**	6,488,846	221,583	760m	82 mW/m^2
Edeowie 1	6,534,753	255,505	759m	74 mW/m^2

Table 1: Summary of Heat Flow results from the 2007-2008 exploration programme in the Parachilna Project. *Coordinates are in the GDA 94 Datum, using the UTM (Zone 54) projection. **Torrens 1 was measured shortly after drilling and was therefore not equilibrated. *** Beneath 430 m, Gandalf heat flow is 83 ± 1 mW/m^2

< Fig 4: A schematic geological map of the Torrens Project Area, including the Parachilna Project (black dashed rectangle) and Torrens Energy's GELs (green).



^ Fig 5: Core sample from exploration well Nazgul 1, Parachilna Project. The rock unit is a shale with excellent insulating properties, able to trap heat and bring high temperature gradients.

^ Fig 6: Temperature Logging in exploration well Balrog 1, Parachilna Project. Temperatures logged are combined with thermal conductivity measurements to derive heat flow values from each well.

AGL ENERGY GEOTHERMAL ALLIANCE

In July 2008, Torrens Energy entered into a Geothermal Alliance Agreement (“GAA”) with Australia’s largest power utility and renewable energy operator AGL Energy Limited (“AGL”), to jointly develop commercial geothermal power on the National Grid. 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. 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.

- 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.

PARACHILNA PROJECT INFERRED RESOURCE

Following the return of outstanding final results from the Parachilna Project exploration programme, Torrens Energy began the process of modelling the temperature in 3D, and then using that "temperature field" to estimate the amount of heat contained in that reservoir.

In order to derive the required information about the target reservoirs, Torrens Energy developed and utilized a three-dimensional temperature field modelling approach (3D-TFM. The 3D-TFM approach incorporated a three dimensional geological model of the Parachilna Geothermal resource with precision heat flow measurements from a number of purpose-drilled boreholes at the surface, and a new temperature inversion software called GeoTherm. Results of this modelling are depicted below in figure 7.

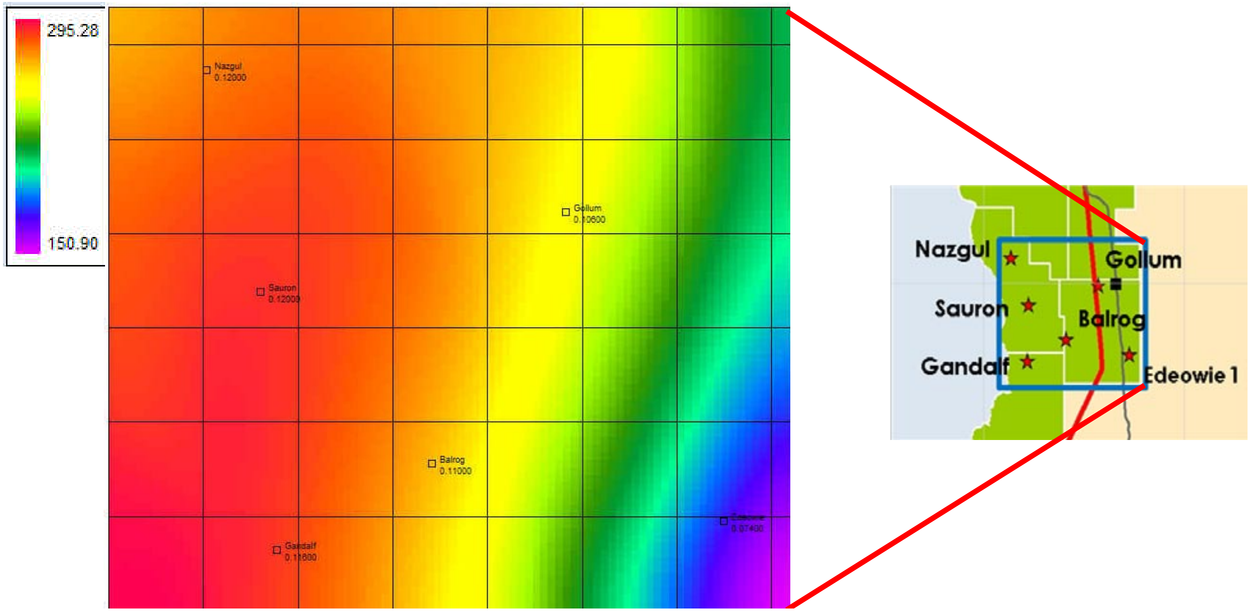


Fig 7: Temperature estimate at 5,000m depth under the Parachilna Project, as modelled by Torrens Energy's new software, "GeoTherm".

As can be seen, the 3D-TFM results show very high temperatures modelled at 5,000m depth in the Parachilna Project. It is considered that temperatures above 150^{o}C are viable for electricity generation, and these results show that such temperatures are modelled over a large area (above 1000km^{2}). The Parachilna Inferred Resource statement (ASX Announcement 20 August 2008) was the world's first 'hot rock' Inferred Resource estimate to comply with the recently adopted *Australian Code for Reporting of Exploration Results, Geothermal Resources and Geothermal Reserves (2008 Edition).* The Inferred Resource Statement was completed by independent experts, Hot Dry Rocks Pty Ltd.

The estimate of 'stored heat' was independently derived using data collected from recently completed drilling by Torrens Energy, at the Parachilna Project in South Australia. The method requires the estimation of the volume, density, specific heat capacity and temperature of the target reservoir formations, a consideration of the realistic lowest economically extractable temperature ('cut-off temperature') and the amount of thermal energy that might be extracted from the resource fluids (related to the 'rejection temperature').

Torrens Energy then selected target reservoirs, those geological units at depth through which the Company believes water could be circulated. These reservoir units are also called heat exchangers.

Reservoir	Inferred Geothermal Resource (PJ)
Yerelina/Upalinna Subgroups	310,000 ± 40,000
Umberatana Group	250,000 ± 20,000
Burra Group	66,000 ± 1,000
Basement	150,000 ± 10,000
TOTAL	**780,000 ± 70,000**

Table 2: Shows selected heat exchangers and estimate of stored heat in petajoules ("PJ") contained in each.

The Parachilna Inferred Resource is very large, and indicates that the area has the potential to host a large producing geothermal field in the future. It is also intersected by the power grid, and therefore has a substantial commercial advantage over projects located 'off-grid', such as those in the Cooper Basin, where major capital expenditure is required to bring electricity produced to market.

Whilst Torrens Energy acknowledges that only a small proportion of the 780,000 PJ Inferred Resource might be ultimately contained in the extractable reserve for electricity generation in the future, the Resource does demonstrate the enormous potential that the Company's geothermal acreage carries.

2008-2009 EXPLORATION PROGRAMME

Torrens Energy will accelerate its exploration activity for the 2008-2009, with budgeted expenditure increased by 91% from the previous year. Exploration "heat mapping" is scheduled to commence in September 2008, and will continue for approximately six months. Exploration activity will target three new highly prospective geothermal areas central to power infrastructure in South Australia.

Torrens Energy's unique geological model brings the search for "hot rocks" to the Port Augusta and Adelaide Regions – the hub of power infrastructure and markets in South Australia. The Company's planned exploration coverage will test three key areas at its wholly owned Port Adelaide, Adelaide Plains and Port Augusta Projects (figure 2). Up to 10 exploration wells will be drilled for a total of 5000 metres.

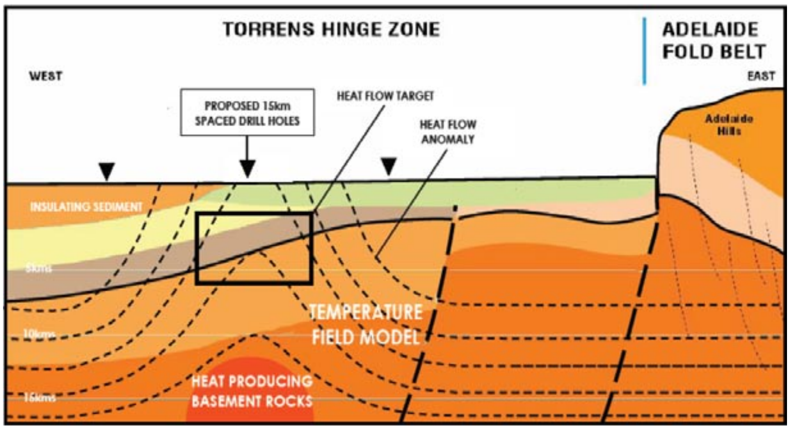


Fig 8: Schematic representation of heat flow drilling approximately 15km spacing enabling high resolution heat flow mapping over large areas. Closely spaced drill holes will tell us where the heat is being generated, as well as providing geological control for 3D modelling. Temperature and potential reservoir distribution can then be mapped to a higher degree of confidence.

A combination of heat flow drilling and the Company's innovative 3D temperature field modelling (3D-TFM) allows systematic and efficient exploration of the Company's substantial GEL acreage in South Australia. The 3D-TFM methodology allows cheap and effective assessment of the geothermal potential of Project areas, adding significant shareholder value to projects for minimum cost.

The Company also has recognised that it needs the right people to progress its projects with maximum efficiency and skill. To this end, Torrens Energy appointed a new exploration manager, Bruce Godsmark, in early 2008. Bruce is a highly qualified and experienced geologist with over 14 years in the fields of mining production and minerals exploration. He holds a Bachelor of Science with Honours in Geology from the University of Adelaide. He has worked extensively for Pasminco Exploration, and most recently Unimin Australia Ltd, designing and implementing exploration strategies both in Australia and overseas. Mr Godsmark's areas of expertise include 3D modelling and resource calculation, exploration management, and design and implementation of exploration drilling programmes.

PROJECT SUMMARY

GEL	State	Project	Area (km^2)
ADELAIDE PLAINS			
GEL 226	SA	Adelaide Plains	494.51
GEL 260	SA	Adelaide Plains	481.90
GEL 261	SA	Adelaide Plains	439.93
GEL 262	SA	Adelaide Plains	295.88
GEL 293	SA	Port Adelaide	80.39
BAROSSA CLARE			
GEL 227	SA	Barossa Clare	490.01
GEL 228	SA	Barossa Clare	491.09
GEL 229	SA	Barossa Clare	492.11
GEL 263	SA	Barossa Clare	490.15
TORRENS			
GEL 230	SA	Parachilna	485.04
GEL 231	SA	Parachilna	495.75
GEL 278	SA	Parachilna	488.60
GEL 232	SA	Lake Torrens	492.33
GEL 233	SA	Lake Torrens	492.10
GEL 234	SA	Lake Torrens	493.92
GEL 235	SA	Port Augusta	492.38
GEL 285	SA	Port Augusta	416.92
GEL 407	SA	Beltana	493.93
GEL 408	SA	Beltana	494.09
GEL 409	SA	Beltana	471.90
GEL 410	SA	Beltana	483.70
MELBOURNE			
GEP 5	Victoria	Melbourne	9644.00

ADELAIDE PLAINS AREA

The Adelaide Plains consists of five licences totalling around 1,800km^2. The project area lies on the coast near the northern suburbs of Adelaide. Most of the area is undeveloped, flat and barren. Uranium occurrences in the Adelaide Hills east of the Plains, and high heat flow on the Yorke Peninsula to the west make this area highly prospective for the required active heat source.

Fig 9: Port Wakefield Road, north of Adelaide, Adelaide Plains Project. This duel carriageway bisects the Adelaide Project Area.

There is likely to be 3,500 to 5,000 metres of sedimentary cover in the key target areas, with potential for heat producing basement rocks. Torrens Energy has undertaken heat flow estimates using data from existing shallow drill holes in the area. Heat flow measurements from locations immediately adjacent to the area lie in a narrow range between 80 and 100mW/m^2. Temperature modelling based on existing data and that collected by the Company shows that a temperature of approximately 200°C exists at a depth of 5,000 metres.

The project area has a strong strategic position being located on the coast and next to a major city. The coastal location gives potential access to seawater which is used as a coolant in the power generation process, and seawater might be used also as a heat exchange fluid in the underground reservoir.

The 2008-2009 work programme will determine the 3D geological structure as well as the detailed heat flow distribution in the northern (Adelaide Plains Project) and southern (Port Adelaide Project) areas. Targeted geological formations are covered by thin (200–400 metres) sediments of the Saint Vincent Basin, and as such cannot be directly mapped. Existing seismic data will be reprocessed and new seismic data collection is planned in the coming 12 months (contingent on the mapping of high heat flow in the Adelaide Plains project drilling), to determine the geological profile to a depth of 5,000 metres.

TORRENS PROJECT AREA

The Torrens Project Area is made up of 12 GELs over an area of approximately 6,000km^2 stretching from Port Augusta in the south, through the Parachilna Project, and up to Leigh Creek in the north. The Project Area is located on a strip of land on the eastern edge of Lake Torrens and southwards, intersecting Spencer Gulf at Port Augusta (figure 2).

The Project Area targets the thermally anomalous Eastern Gawler Craton (EGC) within the Torrens Hinge Zone (figure 4). The EGC in this area is part of what is known as the Olympic Domain; an area characterized by uranium-rich radiogenic iron oxide (RIO) deposits such as the enormous Olympic Dam orebody, and many occurrences of hot granites known as the Hiltaba Suite. Such rock formations have extremely high heat generating capacity.

The 2007-2008 exploration programme (described above) focused on the Parachilna Project, and the 2008-2009 programme will include drilling in the Port Augusta Project. The Torrens Project Area was recently expanded by 2,000km^2 with the acquisition of four new GELs (GELs 407-410), which were taken up following the successful exploration of the Parachilna Project. These four new GELs have been grouped and are here termed the Beltana Project (see figure 2).

Fig 10: Rocky Outcrops of the Wonoka Formation, Brachina Gorge, Flinders Ranges. This shale sedimentary unit is one of the insulating cover sequences targeted by the Company's exploration drilling.

BAROSSA-CLARE PROJECT

The project area at Barossa-Clare covers approximately 2,000km^2 and is made up of four licence areas, and targets the insulating sediments of the Adelaide Geosyncline that overlie the heat producing Barossa Complex. Geosyncline sediments include the Saddleworth Formation, Mintaro Shale and Tapley Hill Formation siltstones and shales. Thermal conductivity measurements by the Company on core samples indicate these sediments have good insulating properties.

Published heat flow values north and south of this area are all high, and heat flow estimates undertaken by Torrens Energy in the immediate vicinity average 89mW/m^2, within error range of the stated target level of 90mW/m^2. Further assessment of the potential of this Project Area will occur during 2008-2009.

Fig 11: Vine Country, Barossa Valley, Barossa-Clare Project.

VICTORIA

The Company has one geothermal exploration permit in Victoria. The acquisition of this licence was in keeping with the Company's philosophy of exploring for hot rocks in the heart of markets and infrastructure, with the permit intersecting the north eastern suburbs of Melbourne (see figure 1).

This permit is located in a geological region called the Melbourne Zone, an area which is thought to contain active heat sources and thick insulating cover. The western portion of this permit contains major infrastructure facilities such as the National Power Grid and major highways.

Unless disclosed below, all the best practice recommendations of the ASX Corporate Governance Council have been applied by the Company for the entire financial year ended 30 June 2008.

Further information on policies adopted by the Company can be found on the web site: www.torrensenergy.com**.**

Board of Directors

The skills, experience and expertise relevant to the position of each Director who is in office at the date of the annual report and their term of office are detailed in the Directors Report.

The primary role of the Board is to oversee the business activities and management for the benefit of the shareholders. The Board is responsible for, and has the authority to determine all matters relating to, the strategic direction, policies, practices, establishing goals for management and the operation of the Company. The monitoring and ultimate control of the business of the Company is vested in the Board.

The goals of the corporate governance process are to drive shareholder value, ensure a prudential and ethical base to the Company's conduct and activities and ensure compliance with legal and regulatory obligations. Consistent with these goals, the Board assumes the following responsibilities:

(a) develop initiatives for profit and asset growth;
(b) review the corporate, commercial and financial performance on a regular basis;
(c) act on behalf of, and being accountable to the Shareholders;
(d) identify business risks and implementing actions to manage those risks; and
(e) develop effective corporate systems to assure quality management.

Board Process

Whilst at all times the Board retains full responsibility for guiding the Company in discharging its stewardship, it makes use of committees. To this end the Board has established an Audit Committee and a Remuneration Committee. The committees have written mandates and operating procedures, which are reviewed on a regular basis. The Board has established a management framework including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The responsibility for the day-to-day operation and administration is delegated by the Board to the Chief Executive Officer (CEO). The Board ensures that the CEO and the management team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the CEO and executive directors.

The roles of Chairman and CEO are not combined. The CEO is accountable to the Board for all authority delegated to the position.

Whilst there is a clear division between the responsibilities of the Board and management, the Board is responsible for ensuring that management objectives are aligned with the expectations and risks identified by the Board.

The full Board meets regularly during the year. The agenda for meetings is prepared in conjunction with the Chairman, the CEO and the Company Secretary. Standard items include an operations report, financial reports, strategic matters, share register reports, governance and compliance. All items are circulated to the Board in advance.

Each Director has the right of access to all relevant Company information and the right to seek independent professional advice on matters relating to director responsibilities at the expense of the Company, subject to the prior approval of the Chairman, which shall not be unreasonably withheld.

In accordance with the constitution of the Company, each Director may offer themselves for re-election by shareholders at least every 3 years. The Board does not specify a maximum term for which a director may hold office.

Structure of the Board

Directors are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of unfettered and independent judgement. Dr Gee, Mr Eiszele and Mr Gracey are considered to be independent and therefore the majority of the Board are independent.

Trading Policy

The Board has formally adopted a Trading Policy Charter which restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices.

Audit Committee

The Board has established an Audit Committee which operates under a charter approved by the Board. The Audit Committee charter and procedures are disclosed on the Company website.

The members of the Audit Committee at the date of this report are:-

Mr Marcus Gracey (Chairperson)
Mr David Eiszele

The Audit Committee is chaired by an independent Non-Executive Director who is not chairman of the Board. The Company Secretary and external auditors are invited to Audit Committee meetings at the discretion of the Committee. Performance of the external auditor is reviewed annually. The external auditor is requested to attend the annual general meeting and be available to answer questions about the conduct of the audit and the preparation and content of the audit report.

The names of those appointed to the Audit Committee and their attendance at the meetings of the Audit Committee are disclosed in the Directors Report.

Remuneration Policies

The Board is responsible for determining and reviewing appropriate compensation arrangements and policies for Directors and senior executives. The Board reviews executive packages annually by reference to Company performance, executive performance, and by comparing information from the industry sector, other listed companies and independent advice.

The policy ensures remuneration packages properly reflect each person's duties and responsibilities, and supports business objectives by remunerating people in a manner that is competitive and can attract and retain people of the highest calibre.

Remuneration for all directors and executives, including all monetary and non-monetary components, are detailed in the Directors Report. Options are valued using the Black-Scholes methodology.

The Board expects that the remuneration structure will result in the Company being able to attract and retain the best executives to grow long-term shareholder value.

Payment of bonuses, options and other incentives are reviewed by the Board annually. All bonuses, options and incentives must be linked to predetermined performance criteria. The Board can exercise its discretion in relation to incentives, bonuses and options, and can recommend changes to the committee recommendations. Any changes must be justified by reference to measurable performance criteria.

Remuneration Committee

The role of the Remuneration Committee has been assumed by the full Board operating under the Remuneration Committee Charter adopted by the Board.

The remuneration of an executive director will be decided by the Board, without the affected executive director participating in that decision process.

The maximum remuneration of non-executive Directors is subject to shareholder resolution in accordance with the Company Constitution, the Corporations Act and ASX Listing Rules. The apportionment of non-executive Directors remuneration within that maximum will be made by the Board having regard to the inputs and value of contributions by the non-executive Director. The current limit, which may only be varied by shareholders in General Meeting, is $150,000 per annum.

There are no retirement benefits other than the statutory superannuation for non-executive directors.

Nomination Committee

The Board has formally adopted a Nomination Committee Charter but given the present size of the Company, has not formed a separate Committee. Instead the function will be undertaken by the full Board in accordance with policies and procedures outlined in the Nomination Committee Charter. When the Company is of sufficient size, a separate

Nomination Committee will be formed. The Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate Nomination Committee.

ASX Best Practice Recommendations

Item	ASX Best Practice Recommendation	Comment
1.	**Lay solid foundations for management and oversight**	
1.1	Formalise and disclose the functions reserved to the board and those delegated to management.	Please refer to page 16. The Company's Corporate Governance Policy includes a Board Charter, which discloses the specific responsibilities of the Board and provides that the Board shall delegate responsibility for the day-to-day operations and administration of the Company to the CEO.
2.	**Structure the board to add value**	
2.1	A majority of the board should be independent directors.	Please refer to page 17.
2.2	The chairperson should be an independent director.	Please refer to page 17.
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	Please refer to page 16.
2.4	The board should establish a nomination committee.	Please refer to page 18.
3.	**Promote ethical and responsible decision-making**	
3.1	Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to: (a) the practices necessary to maintain confidence in the company's integrity; and (b) the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Please refer to page 16. The Company's Corporate Governance Policy includes a Corporate Code of Conduct, which provides a framework for decisions and actions in relation to ethical conduct in employment. The Corporate Governance Policy has been posted on the Company's website.
3.2	Disclose the policy concerning trading in company securities by directors, officers and employees.	Please refer to page 17. The Company's current corporate governance policy includes a Trading Policy Charter which provides guidelines for buying and selling securities in the Company. A copy of the trading policy has been posted to the Company's website.
4.	**Safeguard integrity in financial reporting**	
4.1	Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.	The CEO and the Company Secretary will provide the Board with this statement at the relevant time.
4.2	The board should establish an audit committee.	Please refer to page 17.
4.3	Structure the audit committee so that it consists of: (a) only non-executive directors; (b) a majority of independent directors; (c) an independent chairperson, who is not chairperson of the board; and (d) at least three members.	Please refer to page 17. The Audit Committee members comprises of two Non-Executive Directors, as the Company does not believe it is currently of a size or complexity to justify the appointment of three Directors. Both Directors currently serving on the Audit Committee are deemed independent. The chairperson of the Audit Committee is not the Chairperson of the Board.
4.4	The audit committee should have a formal charter.	The Company's Corporate Governance Policy includes a formal charter for the Audit Committee, as posted on the Company's website.

Item	ASX Best Practice Recommendation	Comment
5.	**Make timely and balanced disclosure**	
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	The Company has a continuous disclosure programme in place designed to ensure the factual presentation of the Company's financial position.
6.	**Respect the rights of shareholders**	
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	The Company provides shareholders with information using a comprehensive continuous disclosure policy which includes indentifying matters that may have a material effect on the price of the Company's securities, notifying them to the ASX, posting them on the Company's website and issuing media releases where required.
6.2	Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.	The Board will request the external auditor to attend all future annual general meetings of the Company to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.
7.	**Recognise and manage risk**	
7.1	The board or appropriate board committee should establish policies on risk oversight and management.	The Board determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control.
7.2	The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the board in writing that: (a) the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board; and (b) the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.	The Board will request that the CEO and Company Secretary provide such a statement at the relevant time.
8.	**Encourage enhanced performance**	
8.1	Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.	Please refer to page 17. The Company's Corporate Governance Policy includes a formal process for performance evaluation of the Board, its committees, individual directors and key executives. The Corporate Governance Policy has been posted on the Company's website.
9.	**Remunerate fairly and responsibly**	
9.1	Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.	Please refer to page 17. The Company's Corporate Governance Policy includes a formal remuneration policy which deals with these matters. The Corporate Governance Policy has been posted on the Company's website.
9.2	The board should establish a remuneration committee.	Please refer to page 18. The Board considers that the Company is not currently of a size or complexity to justify the formation of a remuneration committee. The Board as a whole is responsible for the remuneration arrangements for Directors, CEO and executives of the Company.

Item	ASX Best Practice Recommendation	Comment
9.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executives.	Non-executive directors are paid a set fee of $35,000 per annum (exclusive of superannuation). Non-executive directors do not receive performance based bonuses and do not participate in equity schemes of the Company nor are they entitled to retirement allowances. The Company's Constitution provides that the remuneration of non-executive Directors will be not be more than the aggregate fixed sum determined by a general meeting. The aggregate remuneration has been set at an amount of $150,000 per annum. The Board is responsible for determining the remuneration of the CEO and senior executives.
9.4	Ensure that payment of equity based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.	The Company will seek shareholder approval for the future grant of equity based remuneration.
10.	**Recognise the legitimate interests of stakeholders**	The Company has established a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.

DIRECTORS REPORT

Your Directors present their report on the Company for the financial year ended 30 June 2008.

DIRECTORS

The names and details of the Directors of Torrens Energy Limited in office during the financial year and until the date of this report are set out below. Directors have been in office for the entire period unless otherwise stated.

Dennis Gee	-	Non-Executive Chairman (appointed Chairman 10 July 2007)
John Canaris	-	Non-Executive Director
David Eiszele	-	Non-Executive Director (appointed 10 July 2007)
Marcus Gracey	-	Non-Executive Director (appointed 10 July 2007)
Malcolm James	-	Non-Executive Chairman (resigned 10 July 2007)

BOARD OF DIRECTORS

Dr Dennis Gee
Non-Executive Chairman

Dr Gee brings to the Company over 40 years of experience in government, industry and academia, reaching high levels in all three sectors. He served as Deputy Director of the Geological Survey of Western Australia and Director of the Northern Territory Geological Survey. He has held senior management positions in Reynolds Australia Metals, MIM Exploration and recently was the CEO of the Cooperative Research Centre for Landscape Environments and Mineral Exploration attached to CSIRO Perth.

Dr Gee is a Past President of the Geological Society of Australia, and has been a Councilor of the AIG and AMEC. As Group Consultant for MIMEX in Perth he was responsible for providing high level advice for finding and evaluating gold resources around the world. During his four years as Director of the Northern Territory Geological Survey he turned the NTGS into a most dynamic and progressive organization highly valued by industry. He has managed both multimillion dollar budgets and large staff numbers. Torrens Energy has secured in Dr Gee someone who has the best possible qualifications in terms of industry knowledge, government knowledge and connections, and geoscientific ability.

Mr John Canaris
Non-Executive Director

Mr Canaris is a geologist with more than 15 years experience in the resource exploration industry. Mr Canaris holds a Bachelor of Science Degree in Geology with Honours in Geomorphology from the University of Adelaide. His wide-ranging experience encompasses both minerals and hydrocarbon exploration in Australia.

Mr Canaris has worked extensively in Australia as an exploration geologist, and internationally in a business development role for World Geoscience Corporation and Fugro Airborne surveys, bringing him in contact with all aspects in airborne survey and remote mapping. Most recently Mr Canaris co-founded Lefroy Resources Limited, an ASX listed gold explorer.

Mr David Eiszele

Non-Executive Director

Mr Eiszele is a highly regarded expert in the Australian power infrastructure industry, having held a number of senior management positions. Mr Eiszele, whose background is in engineering, previously worked as the Managing Director of Western Power Corporation, having previously served as the Commissioner and Chief Executive of its predecessor entity, the State Energy Commission of WA. He is a past Chairman of the Electricity Supply Association of Australia.

Mr Eiszele is also a past member of the Business Council of Australia, having served as deputy chair of the Energy and Greenhouse Task Force and was named Professional Engineer of the Year in 1997 by the Institution of Engineers Australia. Mr Eiszele is currently Chairman of Pearl Street Limited which provides engineering and technical services to operators of infrastructure in the energy and resources sectors, also a Chairman of the Lions Eye Institute Limited.

Mr Marcus Gracey

Non-Executive Director

Mr Gracey is an accomplished lawyer with a strong background in corporate and commercial law, corporate governance and compliance, intellectual property and litigation.

Mr Gracey's experience includes holding positions such as Chief Operating Officer of ASX listed Ipernica Limited (a company focussed on the monetisation of intellectual assets and the commercialisation of emerging technologies), Managing Director of AIM listed Hot Tuna International Plc, Regional General Counsel for Quiksilver Asia Pacific, (a global division of NYSE listed Quiksilver Inc.) and as a generalist commercial and corporate lawyer in additional in-house and private practice positions.

Mr Gracey holds a Bachelor of Laws and a Bachelor of Economics degree, a Master of Laws (Intellectual Property) Degree, a Graduate Diploma in Company Secretarial Practice and is a Chartered Company Secretary.

CHIEF EXECUTIVE OFFICER

Mr Chris Matthews

Mr Matthews holds a Bachelor of Science Degree in Geology with Honours in Geology from the University of Adelaide and has several years' experience in the fields of minerals exploration and mining, natural resource management, project management in government, and geothermal exploration using heat flow modeling. Mr Matthews is one of the few Australian geologists with the necessary skills and experience to competently undertake exploration for Hot Rock geothermal systems.

EXPLORATION MANAGER (appointed 14 April 2008)

Mr Bruce Godsmark

Mr Godsmark is a geologist with 14 years experience in the fields of mining production and minerals exploration. Mr Godsmark holds a Bachelor of Science with Honours in Geology from the University of Adelaide. Mr Godsmark has worked extensively for Pasminco Exploration, and most recently Unimin Australia Ltd, designing and implementing exploration strategies both in Australia and overseas. Mr Godsmark's areas of expertise include 3D modelling and resource calculation, exploration management, and design and implementation of exploration drilling programmes.

COMPANY SECRETARY

Ms Jade Styants

Ms Styants is a Chartered Accountant with corporate finance and accounting experience in both the resource and manufacturing industries, having worked for major companies such as Gillette International SARL and Anaconda Nickel Limited. To date Ms Styants has been involved in numerous companies in the AIM Market and on the Australian Stock Exchange. She is currently Company Secretary of ASX Listed Lefroy Resources Limited and C @ Limited and of AIM listed Empyrean Energy Plc.

DIRECTORS INTERESTS

As at the date of this report, the interests (directly or indirectly held) of the Directors in the shares and options of the Company were:

Director	Ordinary Shares	Options over unissued Ordinary Shares
Dennis Gee	100,000	350,000
John Canaris	3,112,500	156,250
David Eiszele	50,000	340,000
Marcus Gracey	115,000	552,500

REMUNERATION REPORT

This report details the nature and amount of remuneration paid to each director of the Company and Key Management.

Remuneration policy

The remuneration policy is 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 that affect the financial results. The Board believes the remuneration policy is appropriate and effective in its ability to attract and retain the best executives and directors to the Company, as well as create goal congruence between directors, executives and shareholders.

Policy for determining the nature and amount of remuneration for directors and senior executives is as follows:

- Terms and conditions for executive directors and senior executives are set by the Board after seeking professional advice from independent external consultants where necessary.

- Executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives.

- The Board reviews executive packages annually by reference to Company performance, executive performance and comparable information from industry sectors

The performance of executives is measured against criteria agreed with each executive and is based predominantly on shareholder value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to incentives, bonuses and options, by recommending changes to committee recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Directors and executives receive the 9% superannuation guarantee contribution currently required by the government. They do not receive any other retirement benefits. Some individuals have chosen some level of salary sacrifice to increase superannuation contributions.

Shares given to directors and executives are valued as the difference between market price and the amount paid by the recipient. Options are valued using the Black-Scholes methodology.

Board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Board determines payments to non-executive directors and reviews the remuneration annually, based on market price, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by Shareholders at a General Meeting. Fees for non-executive directors are not linked to the performance of the Company. To align directors' interests with shareholder interests, directors are encouraged to hold shares in the Company and are able to participate in employee option plans.

Company performance, shareholder wealth and director and executive remuneration

The Remuneration policy is tailored to enhance goal congruence between shareholders, directors and executives. Options are issued to all directors to encourage the alignment of personal and shareholder interests.

Key Management Personnel Remuneration Policy

Board policy for determining remuneration of key personnel is as follows:

Compensation is based on length of service, experience and speciality of the individual concerned, and overall performance of the Company. Contracts for service between the Company and key personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. There is no scheme to provide retirement benefits, other than statutory superannuation.

Employment conditions of key personnel are formalised in contracts of employment. The Company may terminate an employment contract without cause by providing three months written notice or making payment in lieu of notice, based on annual salary. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the case of serious misconduct the Company can terminate employment at any time. Share options not exercised before or on the date of termination will lapse.

Fixed and variable compensations for key management personnel are shown below.

Key Management Personnel Compensation

	Short-term	Post-employment	Share-based payment		
2008	Salary/Fees $	Superannuation $	Options (a) $	Total $	Performance Related %
Non Executive					
Dennis Gee (1)	37,850	3,150	-	41,000	-
John Canaris (2)	148,650	3,150	-	151,800	-
David Eiszele (3)	34,028	3,062	29,701	66,791	44.47%
Marcus Gracey (4)	34,028	3,062	29,701	66,791	44.47%
Malcolm James (5)	972	88	-	1,060	-
Executive					
Chris Matthews	140,000	12,600	-	152,600	-
Bruce Godsmark (6)	29,944	2,695	24,153	56,792	42.53%
TOTAL	**425,472**	**27,807**	**83,555**	**536,834**	

(a) The fair value of options are calculated at the date of grant using the Black-Scholes model. In valuing the options, market conditions have been taken into account.

(1) Dr Gee received $35,000 in salary for Non-Executive Director duties. $26,250 of this salary was paid to Gee-ology Pty Ltd <RD & K Gee Super Fund>, of which Dr Gee is a director and beneficiary. Additional consultancy fees and expense allowances totalling $2,850 were paid directly to Dr Gee for services performed in addition to his role as Non-Executive Director.

(2) Mr Canaris received $35,000 in salary for Non-Executive Director duties. Consultancy fees and expense allowances of $113,650 were paid to Tracker Geoservices Pty Ltd, of which Mr Canaris is a director and beneficiary.

(3) Mr Eiszele was appointed Non-Executive Director on 10 July 2007.

(4) Mr Gracey was appointed Non-Executive Director on 10 July 2007. Mr Gracey received $34,028 in salary for Non-Executive Director duties. $20,417 of this salary was paid to Millenium Falcon Pty Ltd, of which Mr Gracey is a director and beneficiary.

(5) Mr James resigned as Non-Executive Chairman on 10 July 2007.

(6) Mr Godsmark was appointed Exploration Manager on 14 April 2008.

	Short-term	Post-employment	Share-based payment			
2007	Salary/Fees $	Superannuation $	Equity $	Options (a) $	Total $	Performance Related %
Non Executive						
Dennis Gee (1)	8,844	796	-	27,120	36,760	73.78%
John Canaris (2)	24,844	796	-	-	25,640	-
Malcolm James (3)	8,844	796	-	-	9,640	-
Executive						
Chris Matthews	100,000	9,000	-	-	109,000	-
TOTAL	**142,532**	**11,388**	**-**	**27,120**	**181,040**	

(a) *The fair value of the options are calculated at the date of grant using the Black-Scholes model. In valuing the options, market conditions have been taken into account.*

(1) Dr Gee was appointed Non-Executive Director on 9 February 2007 and was appointed Non-Executive Chairman on 10 July 2007.

(2) Mr Canaris received $8,844 in salary for Non-Executive Director duties. Consultancy fees of $16,000 were paid to Tracker Geoservices Pty Ltd, of which Mr Canaris is a director and beneficiary.

(3) Mr James resigned as Non-Executive Chairman on 10 July 2007.

Options Granted as Remuneration

2008				Terms and Conditions			
Key Management Personnel	**No. Granted**	**No. Vested**	**Grant Date**	**Value per Option at Grant Date ($)**	**Exercise Price ($)**	**First Exercise Date**	**Last Exercise Date**
Non Executive							
David Eiszele	40,000	40,000	17/12/2007	0.1271	$0.70	17/12/2007	30/06/2010
	100,000	100,000	17/12/2007	0.1676	$1.00	17/12/2007	30/06/2010
	200,000	200,000	17/12/2007	0.1213	$1.50	17/12/2007	30/06/2010
Marcus Gracey	40,000	40,000	17/12/2007	0.1271	$0.70	17/12/2007	30/06/2010
	100,000	100,000	17/12/2007	0.1676	$1.00	17/12/2007	30/06/2010
	200,000	200,000	17/12/2007	0.1213	$1.50	17/12/2007	30/06/2010
John Canaris	-	-	-	-	-	-	-
Dennis Gee	-	-	-	-	-	-	-
Executive							
Chris Matthews	-	-	-	-	-	-	-
Bruce Godsmark	300,000	-	18/04/2008	0.0602	$0.44	14/04/2009	11/03/2011
	350,000	-	18/04/2008	0.0245	$0.66	14/04/2009	11/03/2011
	400,000	-	18/04/2008	0.0071	$0.99	14/04/2009	11/03/2011

2007				Terms and Conditions			
Key Management Personnel	**No. Granted**	**No. Vested**	**Grant Date**	**Value per Option at Grant Date ($)**	**Exercise Price ($)**	**First Exercise Date**	**Last Exercise Date**
Non Executive							
Dennis Gee	200,000	200,000	15/02/2007	$0.0936	$0.20	15/02/2007	31/03/2010
	100,000	100,000	15/02/2007	$0.0840	$0.30	15/02/2007	31/03/2010
John Canaris	-	-	-	-	-	-	-
Malcolm James ***	-	-	-	-	-	-	-
Executive							
Chris Matthews	-	-	-	-	-	-	-

Service and performance criteria that determine remuneration are included in this report. All options were granted for nil consideration.

Options issued as part of remuneration for the year ended 30 June 2008

Options are issued to directors and executives as part of their remuneration. Such issues are not based on performance, but are designed to increase goal congruence between executives, directors and shareholders.

Meetings of Directors

During the financial year, nine meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors Meetings		Audit Committee	
	Number Eligible to attend	**Number Attended**	**Number Eligible to attend**	**Number Attended**
Directors				
Dennis Gee*	8	8	-	-
John Canaris	8	8	-	-
David Eiszele**	7	7	1	1
Marcus Gracey***	7	6	1	1
Malcolm James****	1	1	-	-

* Dr Gee was appointed Non-Executive Chairman on 10 July 2007

** Mr Eiszele was appointed Non-Executive Director on 10 July 2007

*** Mr Gracey was appointed Non-Executive Director on 10 July 2007

**** Mr James resigned as Non-Executive Chairman on 10 July 2007

Indemnifying Directors and Officers

The Company has entered into an agreement to indemnify all Directors and officers against any liability arising from a claim brought by a third party against the Company. The Company has paid premiums to insure each director and officer against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The amount of the premium was $12,710 to insure the directors and officers of the Company.

OPERATING AND FINANCIAL REVIEW

Corporate Structure

Torrens Energy Limited is a public company incorporated and domiciled in Australia, limited by shares. At the date of this report the Company had 55,887,964 ordinary shares and 29,125,244 options on issue.

The Company has three full time equivalent employees as at the date of this report.

Share Options

At the date of this report, the unissued ordinary shares of the Company under option are as follows:

Date of Expiry	Exercise Price	Number Options	Number of Options Listed on ASX
31/03/2010	$0.20	100,000	-
31/03/2010	$0.25	27,145,244	24,013,994
30/06/2010	$0.70	80,000	-
30/06/2010	$1.00	200,000	-
30/06/2010	$1.50	400,000	-
11/03/2011	$0.44	300,000	-
11/03/2011	$0.66	350,000	-
11/03/2011	$0.99	400,000	-
30/06/2011	$0.44	30,000	-
30/06/2011	$0.66	50,000	-
30/06/2011	$0.99	70,000	-
TOTAL		**29,125,244**	**24,013,944**

During the year ended 30 June 2008, the following ordinary shares of the Company were issued on the exercise of options granted to investors at the IPO in March 2007. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

Grant Date	Exercise Price	Number of Shares Issued
20/05/2008	$0.25	179,756

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.

Principal Activities

The principal activities of the Company during the financial year consisted of the exploration for geothermal energy. There were no significant changes in the nature of the Company's principal activities during the financial year.

Results from Operations

The net loss after providing for income tax for the year ended 30 June 2008 amounted to $130,920(2007: $48,020).

Review of Operations

The Company's operations are discussed in detail in the Operations Report on page 5.

DIVIDENDS

The Directors of the Company do not recommend the payment of a dividend in respect of the current financial year ended 30 June 2008.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

All significant changes in the state of affairs of the Company during the year are discussed in detail above under the Operating and Financial Review section.

AFTER BALANCE DATE EVENTS

There has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations or the state of affairs of the Company, in future financial years except for:

- On 9 July 2008, the Company entered into a four year Geothermal Alliance Agreement (GAA) with AGL. Under this agreement the Company and AGL will jointly develop geothermal resources, with AGL having the first right of refusal to earn 50% of each geothermal resources project identified by Torrens Energy, by sole funding the completion of a deep confirmation well (each well has an estimated cost of AUD$10m).
- On 9 July 2008, AGL subscribed for 5,583,208 ordinary shares in the Company (9.99% equity interest in Torrens Energy) at $0.40 per share, at a total cost of $2,233,283.20.
- On 9 July 2008, the following options were issued to directors of the Company and the Company Secretary, subject to shareholder approval:

  (i) 450,000 options each, exercisable at $0.44 each, vesting on 2 July 2009 and expiring 30 June 2011.

  (ii) 585,000 options each, exercisable at $0.66 each, vesting on 2 July 2009 and expiring 30 June 2011.

  (iii) 720,000 options each, exercisable at $0.99 each, vesting on 2 July 2009 and expiring 30 June 2011.
- On 9 July 2008, the Company granted options to various employees, under the Torrens Energy Limited Incentive Share Option Scheme:

  (i) 30,000 options each, exercisable at $0.44 each, vesting on 2 July 2009 and expiring 30 June 2011.

  (ii) 50,000 options each, exercisable at $0.66 each, vesting on 2 July 2009 and expiring 30 June 2011.

  (iii) 70,000 options each, exercisable at $0.99 each, vesting on 2 July 2009 and expiring 30 June 2011.
- On 20 August 2008 the Company announced the results of its resource estimation works, completed for drilling results returned during the year, which established a 780,000 PJ Inferred Resource at the Parachilna Project, located 150km north of Port Augusta, which intersects the power grid.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

Likely future developments in the operations of the Company are referred to in the Annual Report. Other than as referred to in this report, further developments in the operations of the Company and expected results of those operations would, in the opinion of the Directors, be speculative and prejudicial to the interests of the Company and its shareholders.

ENVIRONMENTAL ISSUES

The Company's operations are subject to environmental regulation under the laws of the Commonwealth and States. The Board believe that the Company has adequate systems in place for environmental management and is not aware of any breach of environmental requirements as they apply to the Company.

PROCEEDINGS ON BEHALF OF THE 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, 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 independence of the external auditor 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 audit services do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

No fees for non-audit services were paid to the external auditors during the year ended 30 June 2008.

AUDITORS INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2008 has been received and can be found on page 33 of the Annual Report.

CORPORATE GOVERNANCE

The Directors recognises the Australian Stock Exchange Corporate Governance Council's 10 Principles of good Corporate Governance and Best Practice (ASX Principles) and considers that the Company substantially complies with those guidelines. The Corporate Governance Statement and disclosures of the Company are contained in the Annual Report.

Signed in accordance with a resolution of the Board of Directors

David Eiszele (Director)
Dated 30 September 2008

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Torrens Energy Limited for the year ended 30 June 2008, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

PKF
Chartered Accountants

Chris Nicoloff
Partner

Dated at Perth, Western Australia this 30th day of September 2008

FOR YEAR ENDED 30 JUNE 2008

	Notes	2008 $	2007 $
Interest Revenue	2	359,483	93,192
Other Income	2	2,000	-
Employee benefits expense	3	(83,556)	(27,120)
Depreciation expense	3	(18,674)	(3,906)
Other expenses from ordinary activities	3	(390,173)	(110,186)
LOSS BEFORE INCOME TAX		(130,920)	(48,020)
Income tax expense	4	-	-
LOSS FROM CONTINUING OPERATIONS		**(130,920)**	**(48,020)**
Basic loss per share (cents per share)	15	(0.26)	(0.21)
Diluted earnings loss per share (cents per share)	15	(0.26)	(0.21)

AS AT 30 JUNE 2008

	Notes	2008 $	2007 $
CURRENT ASSETS			
Cash and cash equivalents	5	4,629,206	5,881,425
Trade and other receivables	6	81,407	58,026
Other financial assets	7	129,670	59,488
TOTAL CURRENT ASSETS		4,840,283	5,998,939
NON-CURRENT ASSETS			
Property, plant and equipment	8	62,903	28,202
Exploration and evaluation expenditure	9	1,552,463	394,580
TOTAL NON-CURRENT ASSETS		1,615,366	422,782
TOTAL ASSETS		6,455,649	6,421,721
CURRENT LIABILITIES			
Trade and other payables	10	102,070	65,717
TOTAL CURRENT LIABILITIES		102,070	65,717
TOTAL LIABILITIES		102,070	65,717
NET ASSETS		**6,353,579**	**6,356,004**
EQUITY			
Issued Capital	11	6,318,617	6,273,678
Reserves	12	214,688	131,132
Retained Losses	12	(179,726)	(48,806)
TOTAL EQUITY		**6,353,579**	**6,356,004**

STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2008

AS AT 30 JUNE 2008

	Share Capital Ordinary $	Accumulated Losses $	Option Reserve $	Total $
BALANCE AT 1 JULY 2006	325,000	(786)	-	324,214
Shares Issued during the year	6,685,010	-	-	6,685,010
Exercise of Options	31,250	-	-	31,250
Transaction Costs	(767,582)	-	-	(767,582)
Cost of Share Based Payment	-	-	131,132	131,132
Loss for period	-	(48,020)	-	(48,020)
BALANCE AT 30 JUNE 2007	**6,273,678**	**(48,806)**	**131,132**	**6,356,004**
Exercise of Options	44,939	-	-	44,939
Cost of Share Based Payment	-	-	83,556	83,556
Loss for period	-	(130,920)	-	(130,920)
BALANCE AT 30 JUNE 2008	**6,318,617**	**(179,726)**	**214,688**	**6,353,579**

FOR THE YEAR ENDED 30 JUNE 2008

	Notes	2008 $	2007 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(416,548)	(137,999)
Interest received		329,813	33,704
Other Income received		2,000	-
Payments for exploration and evaluation		(1,059,048)	(300,937)
NET CASH FLOWS PROVIDED USED IN OPERATING ACTIVITIES	13	**(1,143,783)**	**(405,232)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(53,375)	(32,108)
Bank Guarantee		(100,000)	-
NET CASH FLOWS PROVIDED USED IN INVESTING ACTIVITIES		**(153,375)**	**(32,108)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares and options		44,939	6,679,360
Payments for share issue costs		-	(626,670)
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		**44,939**	**6,052,690**
NET INCREASE IN CASH HELD		**(1,252,219)**	**5,615,350**
Cash at beginning of financial year		**5,881,425**	**266,075**
CASH AT END OF FINANCIAL YEAR	5	**4,629,206**	**5,881,425**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report of Torrens Energy Limited for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the directors on 30 September 2008.

The financial report is a general-purpose financial report, which has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers Torrens Energy Limited as an individual listed public company, incorporated and domiciled in Australia.

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

Basis of Preparation

The accounting policies set out below have been consistently applied to all years presented.

Reporting Basis and Conventions

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

Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Report Standards (‘IFRS’).

Adoption of new accounting standards

The Company has adopted AASB 7 ‘Financial Instruments; Disclosures’ and all consequential amendments which became applicable on 1 January 2007. The adoption of this standard has only affected the disclosure in these financial statements. There has been no affect on profit or loss or the financial position of the entity.

Changes in Accounting Policy

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ended 30 June 2008. There are no anticipated changes to the Company’s accounting policies in the future periods as a result of these changes.

Below is a summary of recently amended or issued Accounting Standards relevant to Torrens Energy Limited:

- Revised AASB 3 Business Combinations changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the Company's 30 June 2010 financial statements. The Company has not yet determined the potential effect of the revised standard on the Company's financial report.

- Revised AASB 101 Presentation of Financial Statements introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement of disclosure of transactions and events that are required by other AASB's. The revised AASB101 will become mandatory for the Company's 30 June 2010 financial statements. The Company has not yet determined the potential effect of the revised standard on the Company's financial report.

- AASB 2008-1 Amendments to Australian Accounting Standard – Share Based Payment: Vesting Conditions and Cancellations changes the measurement of share-based payments that contain non-vesting conditions. The Company has not yet determined the potential effect of the revised standard on the Company's financial report.

- All other pending Standards issued between the previous financial report and the current reporting dates have no application to the Company.

Accounting Policies

a) 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 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.

b) 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.

Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

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.

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 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 Company 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.

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 entity commencing from the time the asset is held ready for use as follows:

Plant and equipment	3-5 years
Motor Vehicles	5 years
Leased plant and equipment	8 years

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.

c) Exploration and Development Expenditure

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

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

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

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

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 plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

d) Government Grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

e) Leases

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

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.

f) 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.

Held-to-maturity investments

These investments have fixed maturities, and it is the entity's intention to hold these investments to maturity. Any held-to-maturity investments held by the entity 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 entity 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.

g) Impairment of Assets

At each reporting date, the entity 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 entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

h) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of the entity is measured using the currency of the primary economic environment in which that entity operates. The financial statements are presented in Australian dollars which is the 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.

i) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within 12 months have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than 12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits

Defined superannuation contribution schemes

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits.

Equity-settled compensation

The entity often uses share-based compensation to remunerate employees. 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.

j) Provisions

Provisions are recognised when the entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

k) 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 3 months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

l) 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.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

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

m) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

n) 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.

o) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. The comparative figures are from 1 July 2006 to 30 June 2007.

p) Critical Accounting Estimates and Judgements

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 entity.

Key Estimates — Impairment

The entity assesses impairment at each reporting date by evaluating conditions specific to the entity 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.

The entity assesses impairment at each reporting date by evaluating conditions specific to the entity 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.

Recoverability of exploration and evaluation costs

The Company assesses the recoverability of the carrying value of capitalised exploration and evaluation costs at each reporting date (or at closer intervals should the need arise). In completing this assessment, regard is had to the Company's intentions with regard to proposed future exploration and development plans for individual exploration areas, to the success or otherwise of activities undertaken in individual areas in recent times, to the likely success of future planned exploration activities, and to any potential plans for divestment of individual areas. Any required adjustments to the carrying value of capitalised exploration are completed based on the results of this assessment.

Share-based payment transactions

The Company measures the cost of shares and options issued to employees and third parties by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of unlisted options is determined by an external valuer using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted.

	2008	**2007**
	$	**$**
2. REVENUE		
Interest received from financial institutions	359,483	93,192
Other income	2,000	-
Total Revenue	**361,483**	**93,192**

3. EXPENSES FOR THE YEAR		
Employee benefits expense	83,556	27,120
Depreciation of plant & equipment	18,674	3,906
Project development expense	28,240	-
Other expenses	361,933	110,186
Total expenses from ordinary activities	**492,403**	**141,212**

	2008	2007
	$	$

4. INCOME TAX

a) Income Tax Expense

The *prima facie* tax on operating loss from ordinary activities before income tax is reconciled to the income tax as follows:

	2008 $	2007 $
Loss from ordinary activities	(130,920)	(48,020)
Prima facie tax on loss from ordinary activities	(39,276)	(14,406)
Tax effect of permanent differences	-	-
Benefit of tax losses not brought to account as an asset	39,276	14,406
Income tax expense attributable to entity	**-**	**-**

b) Tax Losses

The Directors estimate that the tax losses available to the Company at 30 June 2008 which may be available to offset against taxable income in future years is $1,590,662 (2007: $443,385). The benefit of these losses has not been brought to account as realisation is not probable. The availability of these losses is subject to satisfying Australian taxation legislation requirements and will only be available if:

i) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;

ii) provisions relating to the deduction of losses from prior years imposed by tax legislation continues to be complied with; and

iii) no changes in tax legislation adversely affect the Company in realising the benefit

5. CASH AND CASH EQUIVALENTS

	2008 $	2007 $
Cash at bank and on hand	481,656	261,174
Short-term bank deposits	4,147,550	5,620,251
	4,629,206	**5,881,425**

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:

	2008 $	2007 $
Cash and cash equivalents (as above)	**4,629,206**	**5,881,425**

Cash at bank earns interest at floating rates based on daily bank interest deposit rates. Short term deposits are made for varying periods between one day and three months depending on the cash requirements of the company and earn interest at the respective short term deposit rate.

		2008	2007
		$	$

6. TRADE AND OTHER RECEIVABLES

		2008 $	2007 $
Goods and services taxation receivable	(i)	66,707	58,026
Prepayments		8,452	-
REDI grant funding receivable		6,248	-
		81,407	**58,026**

(i) *Goods and services taxation is non-interest bearing and generally on 14 day terms at the end of each quarter.*

7. OTHER FINANCIAL ASSETS

	2008 $	2007 $
HELD-TO-MATURITY (CURRENT)		
Bank Guarantee	100,000	-
OTHER (CURRENT)		
Interest Receivable	29,670	59,488
	129,670	**59,488**

8. PROPERTY, PLANT AND EQUIPMENT

	2008 $	2007 $
Plant and equipment:		
At cost	85,482	32,108
Accumulated depreciation	(22,579)	(3,906)
	62,903	**28,202**

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, is as follows:

	Computer Hardware	Computer Software	Electronics	Furniture	Field Equipment	Total
Balance at 1 July 2006	-	-	-	-	-	**-**
Additions	16,954	7,781	2,513	4,860	-	**32,108**
Depreciation expense	(1,746)	(1,944)	(94)	(122)	-	**(3,906)**
Balance at 30 June 2007	15,208	5,837	2,419	4,738	-	**28,202**
Additions	7,220	5,675	1,812	2,027	36,640	**53,374**
Depreciation expense	(4,901)	(2,693)	(1,115)	(599)	(9,365)	**(18,673)**
Balance at 30 June 2008	**17,527**	**8,819**	**3,116**	**6,166**	**27,275**	**62,903**

9. EXPLORATION AND EVALUATION EXPENDITURE

Exploration and evaluation expenditure carried forward:

	2008 $	2007 $
Carrying amount at beginning of the period	394,580	57,185
Exploration expenditure capitalised	2,066,258	337,395
REDI grant funding received	(908,375)	
Exploration expenditure written off	-	-
	1,552,463	**394,580**

Exploration and evaluation expenditure carried forward in respect of mining areas of interest:

2008	Balance 1 July 2007	Exploration Capitalised	REDI Grant Funding	Exploration Written Off	Balance 30 June 2008
South Australia	351,566	1,967,045	(908,375)	-	1,410,236
Victoria	43,014	78,882	-	-	121,896
Cornwall, UK	-	20,331	-	-	20,331
TOTAL	**394,580**	**2,066,258**	**(908,375)**	**-**	**1,552,463**

2007	Balance 1 July 2006	Exploration Capitalised	REDI Grant Funding	Exploration Written Off	Balance 30 June 2007
South Australia	57,185	294,381	-	-	351,566
Victoria	-	43,014	-	-	43,014
Cornwall, UK	-	-	-	-	-
TOTAL	**57,185**	**337,395**	**-**	**-**	**394,580**

The ultimate recoupment of exploration expenditure carried forward is dependent on successful development and commercial exploitation or sale of the respective mining areas.

10. TRADE PAYABLES

		2008 $	2007 $
CURRENT			
Trade payables	(i)	102,070	65,717
Total trade and other payables		**102,070**	**65,717**

(i) Terms and conditions: Trade creditors are non-interest bearing and are normally settled on 30 day terms.

	2008	2007
	$	$

11. ISSUED CAPITAL

A reconciliation of the movement in capital and reserves for the Company can be found in the Statement of Changes in Equity

	2008 $	2007 $
50,304,756 (2007: 50,125,000) fully paid ordinary shares	6,318,617	6,273,678

(a) Ordinary Shares

	$	No. of Shares
At 30 June 2006	**325,000**	**11,666,667**
Share placement at $0.075, 5 October 2006	25,000	333,333
Share placement at $0.08, 1 February 2007	600,000	7,500,000
Shares issue at $0.12, 23 March 2007	60,000	500,000
Initial Public Offering at $0.20, 23 March 2007	5,232,428	30,000,000
Exercise of 125,000 Options	31,250	125,000
At 30 June 2007	**6,273,678**	**50,125,000**
Exercise of 179,756 Options	44,939	179,756
At 30 June 2008	**6,318,617**	**50,304,756**

(b) Options:

At the date of this report, the unissued ordinary shares of Torrens Energy Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Options issued during period	Number Exercised	Balance
01/02/2007	31/03/2010	$0.25	3,750,000	-	3,750,000
15/02/2007	31/03/2010	$0.20	100,000 (i)	-	100,000
15/02/2007	31/03/2010	$0.25	200,000 (i)	-	200,000
15/02/2007	31/03/2010	$0.25	8,500,000	-	8,500,000
23/03/2007	31/03/2010	$0.25	15,000,000	(304,756)	14,695,244
17/12/2007	30/06/2010	$0.70	80,000 (i)	-	80,000
17/12/2007	30/06/2010	$1.00	200,000 (i)	-	200,000
17/12/2007	30/06/2010	$1.50	400,000 (i)	-	400,000
16/04/2008	11/03/2011	$0.44	300,000 (i)	-	300,000
16/04/2008	11/03/2011	$0.66	350,000 (i)	-	350,000
16/04/2008	11/03/2011	$0.99	400,000 (i)	-	400,000
TOTAL			**29,280,000**	**(304,756)**	**28,975,244**

(i) Options over unissued ordinary shares of Torrens Energy Limited were issued to a various Directors and Key Management, as detail in Note 17 (b) below.

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.

12. RESERVES

	2008 $	2007 $
Reserves at the beginning of the financial year	131,132	-
Share based payment – employee benefit	83,556	27,120
Share based payment – option issue	-	104,012
Reserves at the end of the financial year	**214,688**	**131,132**
Accumulated Losses		
Accumulated losses at the beginning of the financial year	48,806	786
Net loss attributable to members of the Company	130,920	48,020
Accumulated losses at the end of the financial year	**179,726**	**48,806**

This reserve is used to record the value of share based payment provided to employees, directors or consultants.

13. CASH FLOW INFORMATION

Reconciliation of Cash Flow from Operations with Profit after Income Tax

	2008 $	2007 $
Loss after tax	(130,920)	(48,020)
Adjustments for:		
Depreciation	18,674	3,906
Share options expense	83,556	27,120
Exploration expense	(2,066,258)	(337,395)
REDI grant funding received	908,375	-
Bank Guarantee	100,000	-
Changes in assets and liabilities:		
Increase in trade and term receivables	(93,563)	(116,334)
Increase in trade payables	36,353	65,491
Cashflow from Operations	**(1,143,783)**	**(405,232)**

14. EXPENDITURE COMMITMENTS

(a) Mineral Tenement Leases

In order to maintain current rights of tenure to exploration tenements, the Company is required to outlay rentals and to meet minimum expenditure requirements of $1,730,712 (2007: $320,000) over the next 12 months, as per the work programmes submitted over the South Australian and Victorian licences.

Financial commitments for subsequent periods are contingent upon future exploration results and can not be estimated.

(b) Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

	2008	2007
	$	$
Lease with respect to Adelaide office premises:		
- not later than one year	22,000	14,249
- later than one year but not later than four years	71,797	-

The Company changed premises on 11 July 2008. The new property lease is a non-cancellable lease with a four year term, with rent payable monthly in advance.

15. LOSS PER SHARE

The following reflects the income and share data used in the calculations of basic and diluted loss per share:

a) Reconciliation of earnings to profit or loss

	2008	2007
Net loss used in calculating basic and dilutive loss per share	(130,920)	(48,020)

b) Weighted average number of ordinary shares outstanding during the year

	2008	2007
Weighted average number of ordinary shares used in calculating basic loss and dilute loss per share	50,145,628	23,373,288

Effect of dilutive securities:

Share options are not considered dilutive as the conversion of options to ordinary shares will result in a decrease in the net loss per share.

16. AUDITOR'S REMUNERATION

	2008 $	2007 $
Remuneration of the auditor for :		
- auditing or reviewing the financial report	24,714	-
- investigating accountants report (IPO)	-	13,750
Balance at the end of period	**24,714**	**13,750**

17. KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Names and positions held of key management personnel in office at anytime during the financial year are :

Name	Position
Dennis Gee	Non-Executive Chairman (appointed Chairman 10 July 2007)
John Canaris	Non-Executive Director
Malcolm James	Non-Executive Chairman (resigned 10 July 2007)
David Eiszele	Non-Executive Director (appointed 10 July 2007)
Marcus Gracey	Non-Executive Director (appointed 10 July 2007)
Chris Matthews	Chief Executive Officer
Bruce Godsmark	Exploration Manager (appointed 14 April 2008)

(b) Remuneration policy

The remuneration policy is 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 that affect the financial results. The Board believes the remuneration policy is appropriate and effective in its ability to attract and retain the best executives and directors to the Company, as well as create goal congruence between directors, executives and shareholders.

Policy for determining the nature and amount of remuneration for directors and senior executives is as follows:

- Terms and conditions for executive directors and senior executives are set by the Board after seeking professional advice from independent external consultants where necessary.
- Executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives.
- The Board reviews executive packages annually by reference to Company performance, executive performance and comparable information from industry sectors

The performance of executives is measured against criteria agreed with each executive and is based predominantly on shareholder value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to incentives, bonuses and options, by recommending changes to committee recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Directors and executives receive the 9% superannuation guarantee contribution currently required by the government. They do not receive any other retirement benefits. Some individuals have chosen some level of salary sacrifice to increase superannuation contributions.

Shares given to directors and executives are valued as the difference between market price and the amount paid by the recipient. Options are valued using the Black-Scholes methodology.

Board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Board determines payments to non-executive directors and reviews the remuneration annually, based on market price, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by Shareholders at a General Meeting. Fees for non-executive directors are not linked to the performance of the Company. To align directors interests with shareholder interests, directors are encouraged to hold shares in the Company and are able to participate in employee option plans.

(b) Company performance, shareholder wealth and director and executive remuneration

The Remuneration policy is tailored to enhance goal congruence between shareholders, directors and executives. Options are issued options to all directors to encourage the alignment of personal and shareholder interests.

(c) Key Management Personnel Remuneration Policy

Board policy for determining remuneration of key personnel is as follows:

Compensation is based on length of service, experience and speciality of the individual concerned, and overall performance of the Company. Contracts for service between the Company and key personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. There is no scheme to provide retirement benefits, other than statutory superannuation.

Employment conditions of key personnel are formalised in contracts of employment. The Company may terminate an employment contract without cause by providing three months written notice or making payment in lieu of notice, based on annual salary. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the case of serious misconduct the Company can terminate employment at any time. Share options not exercised before or on the date of termination will lapse.

Fixed and variable compensations for key management personnel are shown below.

Key Management Personnel Compensation

	Short-term	Post-employment	Share based payment		
2008	**Salary/Fees $**	**Superannuation $**	**Options (a) $**	**Total $**	**Performance Related %**
Non Executive					
Dennis Gee (1)	37,850	3,150	-	41,000	-
John Canaris (2)	148,650	3,150	-	151,800	-
David Eiszele (3)	34,028	3,062	29,701	66,791	44.47%
Marcus Gracey (4)	34,028	3,062	29,701	66,791	44.47%
Malcolm James (5)	972	88	-	1,060	-
Executive					
Chris Matthews	140,000	12,600	-	152,600	-
Bruce Godsmark (6)	29,944	2,695	24,153	56,792	42.53%
TOTAL	**425,472**	**27,807**	**83,555**	**536,834**	

(a) The fair value of options are calculated at the date of grant using the Black-Scholes model. In valuing the options, market conditions have been taken into account.

(1) Dr Gee received $35,000 in salary for Non-Executive Director duties. $26,250 of this salary was paid to Gee-ology Pty Ltd <RD & K Gee Super Fund>, of which Dr Gee is a director and beneficiary. Additional consultancy fees and expense allowances totalling $2,850 were paid directly to Dr Gee for services performed in addition to his role as Non-Executive Director.

(2) Mr Canaris received $35,000 in salary for Non-Executive Director duties. Consultancy fees and expense allowances of $113,650 were paid to Tracker Geoservices Pty Ltd, of which Mr Canaris is a director and beneficiary.

(3) Mr Eiszele was appointed Non-Executive Director on 10 July 2007.

(4) Mr Gracey was appointed Non-Executive Director on 10 July 2007. Mr Gracey received $34,028 in salary for Non-Executive Director duties. $20,417 of this salary was paid to Millenium Falcon Pty Ltd, of which Mr Gracey is a director and beneficiary.

(5) Mr James resigned as Non-Executive Chairman on 10 July 2007.

(6) Mr Godsmark was appointed Exploration Manager on 14 April 2008.

	Short-term	Post-employment	Share based payment		
2007	**Salary/Fees $**	**Superannuation $**	**Options (a) $**	**Total $**	**Performance Related %**
Non Executive					
Dennis Gee (1)	8,844	796	27,120	36,760	73.78%
John Canaris (2)	24,844	796	-	25,640	-
Malcolm James (3)	8,844	796	-	9,640	-
Executive					
Chris Matthews	100,000	9,000	-	109,000	-
TOTAL	**142,532**	**11,388**	**27,120**	**181,040**	

(a) The fair value of the options are calculated at the date of grant using the Black-Scholes model. In valuing the options, market conditions have been taken into account.

(1) Dr Gee was appointed Non-Executive Director on 9 February 2007 and was appointed Non-Executive Chairman on 10 July 2007.

(2) Mr Canaris received $8,844 in salary for Non-Executive Director duties. Consultancy fees of $16,000 were paid to Tracker Geoservices Pty Ltd, of which Mr Canaris is a director and beneficiary.

(3) Mr James resigned as Non-Executive Chairman on 10 July 2007.

(d) Options and Rights Holdings

Number of Options Held by Key Management Personnel

	Balance at 1 July 2007	***Granted as Compensation***	***Options Exercised***	***Net Change Other ****	***Balance at 30 June 2008***
Non Executive					
Dennis Gee	350,000	-	-	-	350,000
John Canaris	156,250	-	-	-	156,250
David Eiszele (1)	-	340,000	-	-	340,000
Marcus Gracey (1)	-	340,000	-	212,500	552,500
Specified Executives					
Chris Matthews	-	-	-	-	-
Bruce Godsmark (2)	-	1,050,000	-	-	1,050,000
Total	506,250	1,730,000	-	212,500	2,448,750

(1) On 17 December 2007 the Company issued 340,000 options each to two Directors as part of their remuneration package. Please refer to note 22 Share Based Payments for further information.

(2) On 16 April 2008 the Company issued 1,050,000 options to the Exploration Manager as part of his remuneration package. Please refer to note 22 Share Based Payments for further information.

* Options held by Mr Marcus Gracey prior to his appoint to Director of the Company.

All options held by Key Management Personnel at 30 June 2008 are exercisable.

	Balance at 1 July 2006	***Granted as Compensation***	***Options Exercised***	***Net Change Other ****	***Balance at 30 June 2007***
Non Executive					
Dennis Gee	-	300,000	-	50,000	350,000
John Canaris	-	-	-	156,250	156,250
Specified Executives					
Chris Matthews	-	-	-	-	-
Total	-	300,000	-	206,250	506,250

* On 15 February 2007 the Company issued 7,500,000 ordinary shares at $0.08 per share, with one (1) free attaching option for every two (2) shares held. This resulted in the grant of options to key management personnel as at that date.

(e) Shareholdings

Number of Shares held by Key Management Personnel during the year ended 30 June 2008

	Balance at 1 July 2007	*Purchases/ Sales*	*Exercised Options*	*Balance at 30 June 2008*
Non Executive				
Dennis Gee	100,000	-	-	100,000
John Canaris	3,112,500	-	-	3,112,500
David Eiszele	-	50,000		50,000
Marcus Gracey	-	115,000		115,000
Malcolm James*	1,029,167	-	-	1,029,167
Specified Executives				
Chris Matthews	2,466,666	-	-	2,466,666
Bruce Godsmark	-	-	-	-
Total	6,708,333	165,000	-	6,873,333

* Mr James resigned as Non-Executive Director on 10 July 2007.

Number of Shares held by Key Management Personnel during the year ended 30 June 2007

	Balance at 1 July 2006	*Purchases/ Sales*	*Exercised Options*	*Balance at 30 June 2007*
Non Executive				
Malcolm James	333,334	695,833	-	1,029,167
Dennis Gee	-	100,000	-	100,000
John Canaris	2,800,000	312,500	-	3,112,500
Specified Executives				
Chris Matthews	2,466,666	-	-	2,466,666
Total	5,600,000	1,108,333	-	6,708,333

All equity transactions with specified directors and specified executives have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

18. RELATED PARTY DISCLOSURES

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

Tracker Geoservices Pty Ltd, an entity associated with Mr Canaris was paid an amount of $113,650 in respect to the provision of executive management activities of Mr Canaris, with this amount being included in specified executives’ remuneration.

Geo-ology Pty Ltd, an entity associated with Dr Gee was paid and amount of $26,250 in respect to the provision of Non Executive duties of Dr Gee.

Millenium Falcon Pty Ltd, an entity associated with Mr Gracey was paid and amount of $20,417 in respect to the provision of Non Executive duties of Mr Gracey.

19. SEGMENT INFORMATION

At the date of this report, the Company operated in one business and two geographic segments. Primarily the Company's operations are focused on geothermal exploration in Australia. In addition to operations in Australia the Company is currently carrying out due diligence investigations on a project opportunity in the United Kingdom.

20. FINANCIAL INSTRUMENTS

The Company's financial instruments consist mainly of cash, short-term deposits with banks, local money market instruments and accounts payable. The main purpose of these financial instruments is to finance the Company's operations. The Company has various other financial instruments such as trade receivables and trade payables, which arise directly from its operations. It is, and has been throughout the period under review, the Company's policy that no trading in financial instruments shall be undertaken.

Details of the significant accounting policies and methods adopted, include the criteria for recognition, the basis of measurement and the basis on which income and expense are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Fair values

The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements represents their net fair values.

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	30 June 2008		30 June 2007	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Cash and cash equivalents	4,629,206	4,629,206	5,881,425	5,881,425
Trade and other receivables	81,407	81,407	58,026	58,026
Other financial assets	129,670	129,670	59,488	59,488
Trade and other payables	(102,070)	(102,070)	(65,717)	(65,717)
	4,738,213	4,738,213	5,933,222	5,933,222

Interest rate risk

The Company's exposure to market risk for changes in interest rates relates primarily to the Company's cash, local money market instruments and short-term deposits. Cash includes funds held in term deposits and cheque accounts during the year, which earned variable interest at rates ranging between 0% to 7.1% (2007: 0% to 6.1%), depending on the bank account type and account balances.

The Company has no loans or borrowings.

At the reporting date the interest rate profile for the Company and the Company interest-bearing financial instruments was:

	Carrying Amount ($)	
	2008	**2007**
Variable rate financial assets	4,729,206	5,881,425

A change of 1% in the variable interest rates at the reporting date would have increased/decreased profit and loss by the amounts shown below. The analysis assumes that all other variables remain constant. This analysis is performed on the same basis for 2007.

	2008	**2007**
	$	**$**
1% increase	47,292	58,814
1% decrease	(47,292)	(58,814)

Liquidity risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, and finance leases.

The following are contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting arrangements:

	Carrying Amount	**Contractual Cash Flows**	**6 Months or less**	**6 - 12 Months**	**1 – 2 Years**	**2-5 Years**
2008	**$**	**$**	**$**	**$**	**$**	**$**
Trade and other payables	102,070	(102,070)	(102,070)	-	-	-
2007						
Trade and other payables	65,717	(65,717)	(65,717)	-	-	-

Credit risk

The credit risk on financial assets of the Company which has been recognised on the balance sheet is generally the carrying amount, net of any provision for doubtful debts.

The Company continuously monitors credit risks arising from its trade receivables which are principally with significant and reputable companies. The total credit risk exposure of the Company could be considered to include the difference between the carrying amount of the receivable and the realisable amount. At balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

The carrying amount of the Company's financial assets represents the maximum credit exposure, as detailed below:

	Carrying Amount	
Financial Assets	**2008 $**	**2007 $**
Cash	4,629,206	5,881,425
Trade and other receivables	81,407	58,026
Other financial assets	129,670	59,488
	4,840,283	5,998,939

The Company's maximum exposure to credit risk for trade and other receivables at the reporting date by geographical region is detailed below.

	Carrying Amount	
	2008 $	**2007 $**
Australia	81,407	58,026

The Company's maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

Australian Taxation Office	66,707	58,026

The aging of the Company's trade receivables at the reporting date was:

	2008 $	**2007 $**
Not past due	81,407	58,026
Past due 0-30 days	-	-
Past due 31-120 days	-	-
	81,407	58,026

All trade and other receivables shown at 30 June 2008 have been received by the Company at the date of this report. There are have been no impairments applied against any of the Company's financial assets.

Currency risk

The Company is not exposed to foreign currency risk.

The Company holds all assets in Australian dollars.

Capital risk management

The Company's objectives when managing capital are to safeguard the ability to continue as a going concern, so that the Company can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The management of the Company's capital is performed by the Board.

No capital issued is subject to externally imposed capital requirements.

21. CONTINGENT LIABILITIES

The Board is not aware of any circumstances or information which leads them to believe there are any material contingent liabilities outstanding as at 30 June 2008.

22. SHARE BASED PAYMENTS

In determining the number of options issued to directors and their terms, consideration was given to the relevant experience and role of each of the director, their respective overall remuneration terms, the current market price of the shares and the terms of option packages granted to directors of other companies within the resources industry.

The following share-based payment arrangements existed at 30 June 2008:

On 17 December 2007 40,000, 100,000 and 200,000 share options were each granted to Mr David Eiszele and Mr Marcus Gracey to take up ordinary shares at an exercise price of $0.70, $1.00 and $1.50 respectively. The options are exercisable on or before 30 June 2010 and are not quoted on the ASX.

On 16 April 2008 300,000, 350,000 and 400,000 share options were granted to Bruce Godsmark to take up ordinary shares at an exercise price of $0.44, $0.66 and $0.99 respectively. The options are exercisable on or before 30 June 2010 and are not quoted on the ASX.

The expense recognised in the income statement in relation to share-based payments is disclosed in note 3 to the Income Statement.

The following table illustrates the number and weighted average exercise prices (WAEP) and movements in employee share options issued during the year.

	2008		2007	
	Number of Options	**WAEP**	**Number of Options**	**WAEP**
Outstanding at the beginning of the year	300,000	-	-	-
Granted	1,730,000	$0.51	300,000	$0.23
Forfeited	-	-	-	-
Exercised	-	-	-	-
Outstanding at year-end	2,030,000	$0.51	300,000	$0.23
Exercisable at year-end	2,030,000	$0.51	300,000	$0.23

The fair value of the options granted to Mr David Eiszele and Mr Marcus Gracey during the year was calculated using the Black Scholes option pricing model applying the following inputs :

680,000 options granted 17 December 2007:

Weighted average exercise price	$1.26
Weighted average life of option	3 years
Underlying share price	$0.480
Expected share price volatility	65%
Risk free interest rate	6.64%

1,050,000 options granted 16 April 2008:

Weighted average exercise price	$0.72
Weighted average life of option	3 years
Underlying share price	$0.315
Expected share price volatility	30%
Risk free interest rate	6.00%

Volatility has been determined by reviewing the market sector and comparing those company's operating in the same sector. Share price volatility assumed that this is indicative of future tender which may not eventuate.

Included under employee benefits expense in the income statement is $59,402 (2007: $27,120), and relates, in full, to employee equity-settled share based payment transactions.

23. EVENTS AFTER BALANCE SHEET DATE

There has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations or the state of affairs of the Company, in future financial years except for:

- On 9 July 2008, the Company entered into a four year Geothermal Alliance Agreement (GAA) with AGL. Under this agreement the Company and AGL will jointly develop geothermal resources, with AGL having the first right of refusal to earn 50% of each geothermal resources project identified by Torrens Energy, by sole funding the completion of a deep confirmation well (each well has an estimated cost of AUD$10m).
- On 9 July 2008, AGL subscribed for 5,583,208 ordinary shares in the Company (9.99% equity interest in Torrens Energy) at $0.40 per share, at a total cost of $2,233,283.20.
- On 9 July 2008, the following options were issued to directors of the Company and the Company Secretary, subject to shareholder approval:
  - (i) 450,000 options each, exercisable at $0.44 each, vesting on 2 July 2009 and expiring 30 June 2011.
  - (ii) 585,000 options each, exercisable at $0.66 each, vesting on 2 July 2009 and expiring 30 June 2011.
  - (iii) 720,000 options each, exercisable at $0.99 each, vesting on 2 July 2009 and expiring 30 June 2011.
- On 9 July 2008, the Company granted options to various employees, under the Torrens Energy Limited Incentive Share Option Scheme:
  - (i) 30,000 options each, exercisable at $0.44 each, vesting on 2 July 2009 and expiring 30 June 2011.
  - (ii) 50,000 options each, exercisable at $0.66 each, vesting on 2 July 2009 and expiring 30 June 2011.

(iii) 70,000 options each, exercisable at $0.99 each, vesting on 2 July 2009 and expiring 30 June 2011.

- On 20 August 2008 the Company announced the results of its resource estimation works, completed for drilling results returned during the year, which established a 780,000 PJ Inferred Resource at the Parachilna Project, located 150km north of Port Augusta, which intersects the power grid.

24. RETIREMENT BENEFIT OBLIGATIONS

a) Superannuation

The Company contributes to a non-company sponsored or controlled superannuation fund. Contributions are made to an accumulation fund and are at least the minimum required by the law. There is no reason to believe that funds would not be sufficient to pay benefits as vested in the event of termination of the fund on termination of employment of each employee.

DIRECTORS DECLARATION

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 34 to 62 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 2008 and of the performance for the year ended on that date of the Company;

2. the Chief Finance Officer has 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. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1;

4. 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.

On behalf of the Board

David Eiszele
Director

Perth, 30 September 2008

Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TORRENS ENERGY LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Torrens Energy Limited ('Torrens'), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that compliance with Australian Equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

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Auditor's Opinion

In our opinion:

(a) the financial report of Torrens Energy Limited is in accordance with the *Corporations Act 2001*, including:

 (i) giving a true and fair view of the entity's financial position as at 30 June 2008 and of its performance for the year ended on that date; and

 (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

PKF
Chartered Accountants

Chris Nicoloff
Partner

Dated at Perth, Western Australia this 30th day of September 2008

ASX ADDITIONAL INFORMATION

a) Distribution of Ordinary Shareholders (as at 23 September 2008)

	Number of Ordinary Shareholders	Number of Shares
1 - 1,000	88	74,573
1,001 - 5,000	479	1,396,478
5,001 - 10,000	266	2,267,834
10,001 - 100,000	489	16,220,575
100,001 - and over	79	35,928,504
TOTAL	1,401	55,887,964

b) Top Twenty Ordinary Shareholders (as at 23 September 2008)

Name	Number of Ordinary Shares held	%
AGL ENERGY LIMITED	5,583,208	9.99
LEFROY RESOURCES LIMITED	3,425,000	6.13
JOHN CANARIS	3,112,500	5.57
CHRISTOPHER MATTHEWS	2,466,666	4.41
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,448,286	4.38
DECK CHAIR HOLDINGS PTY LTD	1,153,451	2.06
GEOFFREY KEVIN CAMMELL <CAMMELL DISCRETIONARY A/C>	1,075,000	1.92
VISION ASSET MANAGEMENT LIMITED	1,045,420	1.87
CUCKFIELD PTY LTD <JAGGER STAFF SUPER FUND A/C>	1,027,400	1.84
MURRAY JOHN JACOB & SARA CAROLINE JACOB <AQUATICA SUPERFUND>	645,000	1.15
TERASSE (WA) PTY LTD <THE BEACH VIEW A/C>	604,167	1.08
FUNDHOST LIMITED <CYGNET MICROCAP OPP FUND A/C>>	550,000	0.98
ROBIN JAGGER	525,735	0.94
TERASSE (WA) PTY LTD <THE BEACH VIEW A/C>	425,000	0.76
PHILIP ARTHUR ROGERSON & MRS KATHRYN GAE ROGERSON	385,245	0.69
TESTON INVESTMENTS PTY LTD <DON MARTIN SUPER FUND A/C>	350,000	0.63
FNL INVESTMENTS PTY LTD <SUPERANNUATION PLAN A/C>	345,000	0.62
BLAIR FRANCIS SNOWBALL	333,334	0.60
CITYPOINT INVESTMENTS PTY LTD	333,333	0.60
WALSAL NOMINEES PTY LTD	325,000	0.58
Total Top 20 Shareholders	**26,158,745**	**46.81**
Other Shareholders	**29,729,219**	**53.19**
Total ordinary shares on issue	**55,887,964**	**100.00**

c) Non marketable parcels (as at 23 September 2008)

The number of shareholders holding less than a marketable parcel of shares is 147, totalling 148,013 ordinary shares.

d) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

e) Franking Credits

The Company has nil franking credits.

f) Restricted Securities (as at 23 September 2008)

Security	Number of Ordinary Shares held in Escrow	Date of release from Escrow
Ordinary Shares	9,877,501	31/03/09
Options (exercisable $0.25, expiring 31/03/10)	3,231,250	31/03/09

g) Substantial Shareholders (as at 23 September 2008)

Name	Number of Ordinary Shares held	%
AGL Energy Limited	5,583,208	9.99%
Lefroy Resources Limited	3,425,000	6.13%
John Canaris	3,112,500	5.57%
Christopher Matthews	2,466,666	4.41%

h) On-Market Buy Back

There is no current on market buy back.

i) ASX Admission Statement

During the year, the Company has applied its cash in a way consistent with its business objectives.

j) Distribution of Optionholders exercisable 25 cents, expiring 31/03/10 (as at 23 September 2008)

	Number of Optionholders	Number of Options
1 - 1,000	-	-
1,001 - 5,000	39	157,017
5,001 - 10,000	40	348,950
10,001 - 100,000	242	7,998,520
100,001 - and over	43	18,640,757
TOTAL	364	27,145,244

k) Top Twenty Optionholders exercisable 25 cents, expiring 31/03/10 (as at 23 September 2008)

Name	Number of Ordinary Shares held	%
MAHSOR HOLDINGS PTY LTD	2,402,500	8.85
DECK CHAIR HOLDINGS PTY LTD	1,925,000	7.09
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,262,500	4.65
MURRAY JOHN JACOB	1,206,250	4.44
ROBERT SLADE FORBES	1,050,000	3.87
SARA JACOB	800,000	2.95
TERASSE (WA) PTY LTD	793,750	2.92
MERGIN INVESTMENTS PTY LTD	750,000	2.76
FUNDHOST LIMITED	600,000	2.21
JADE LAUREN PTY LTD	570,000	2.10
MARK DAVIES	550,000	2.03
DAVID BARTLEY	450,000	1.66
KATONE INVESTMENTS PTY LTD	435,000	1.60
LEFROY RESOURCES LIMITED	312,500	1.15
CYBERSPACE INVESTMENTS PTY LTD	300,000	1.11
INVIA CUSTODIAN PTY LIMITED	300,000	1.11
ELLIOT POINT PTY LIMITED	289,476	1.07
CUCKFIELD PTY LTD	287,500	1.06
DAVID CHRISTOPHER KEMP	278,657	1.03
FLORIN MINING INVESTMENT COMPANY LIMITED	278,000	1.02
Total Top 20 Optionholders	**14,841,133**	**54.68**
Other Optionholders	**12,304,111**	**45.32**
Total Options on issue	**27,145,244**	**100.00**

l) Options on issue (as at 23 September 2008)

Options	Unlisted	Escrowed	Listed	Total	No Holder
Exercisable $0.20, expiring 31/03/10	-	100,000	-	100,000	1
Exercisable $0.25, expiring 31/03/10	-	3,131,250	24,013,994	27,145,244	364
Exercisable $0.44, expiring 11/03/11	300,000	-	-	300,000	1
Exercisable $0.66, expiring 11/03/11	350,000	-	-	350,000	1
Exercisable $0.70, expiring 30/06/10	80,000	-	-	80,000	2
Exercisable $0.99, expiring 11/03/11	400,000	-	-	400,000	1
Exercisable $1.00, expiring 30/06/10	200,000	-	-	200,000	2
Exercisable $1.50, expiring 30/06/10	400,000	-	-	400,000	2
Exercisable $0.44, expiring 30/06/11	30,000	-	-	30,000	1
Exercisable $0.66, expiring 30/06/11	50,000	-	-	50,000	1
Exercisable $0.99, expiring 30/06/11	70,000	-	-	70,000	1
TOTAL	**1,880,000**	**3,231,250**	**24,013,994**	**29,125,244**	**379**

m) Schedule of Interests in Mining Tenement:

Location/Project Name	Tenement	Percentage Held
SOUTH AUSTRALIA		
Adelaide	GEL 226	100%
Barossa-Clare	GEL 227	100%
Barossa-Clare	GEL 228	100%
Barossa-Clare	GEL 229	100%
Torrens	GEL 230	100%
Torrens	GEL 231	100%
Torrens	GEL 232	100%
Torrens	GEL 233	100%
Torrens	GEL 234	100%
Torrens	GEL 235	100%
Adelaide	GEL 260	100%
Adelaide	GEL 261	100%
Adelaide	GEL 262	100%
Barossa-Clare	GEL 263	100%
Torrens	GEL 278	100%
Torrens	GEL 285	100%
Adelaide	GEL 293	100%
Torrens	GEL 407	100%
Torrens	GEL 408	100%
Torrens	GEL 409	100%
Torrens	GEL 410	100%
VICTORIA		
Melbourne	GEP 5	100%