
QUARTERLY ACTIVITIES REPORT

SEPTEMBER 2008

HIGHLIGHTS

- **'World First' Inferred Resources completed at Parachilna**
- **Large Stored Heat Estimate - 780,000PJ**
- **Exploration Drilling commenced at Adelaide Plains and Port Augusta projects**
- **Strong cash position with exploration programme fully funded**

Torrens Energy continued to break new ground in the September Quarter, with the completion of the world's first compliant 'hot rock' Inferred Resource estimate (780,000PJ) at Parachilna in South Australia. The large estimated Resource was presented at the Australian Geothermal Energy Conference in Melbourne in late August.

September also saw the commencement of the 2008-2009 exploration drilling programme, with wells spudded at both the Adelaide Plains and Port Augusta projects. Drilling will continue as part of the Company's innovative 3D-TFM exploration methodology, supported by the Federal Government's \$3M Renewable Energy Development Initiative (REDI) grant.

The Company's focus remains firmly on the generation of 'hot spot' resources in the heart of electricity infrastructure, to be brought to the recently established Geothermal Alliance Agreement (GAA) with AGL Energy Limited, for deep drilling.

With a dominant land position secured proximal to power infrastructure, excellent 'hot rock' exploration results and a solid cash position, as well as a strong and experienced development partner, Torrens Energy is in excellent shape to deliver shareholder value.



Figure 1: Torrens Energy drilling programme underway at Parachilna, north of Port Augusta in South Australia. High voltage electricity towers visible in the background.

EXPLORATION

Parachilna Project Inferred Resource

Torrens Energy announced the results of its resource estimation work during the quarter, completed at its wholly owned Parachilna Project in South Australia. This represents the world's first 'hot rock' Inferred Resource estimate compliant with the recently endorsed Australian Code for Reporting of Exploration Results, Geothermal Resources and Geothermal Reserves (2008 Edition).

Two geological divisions with potential for 'hot rock' development were identified, being the Basement, which was targeting crystalline volcanics or intrusives, and Intra-sedimentary targets. Inferred Geothermal Resource estimates (petajoules) for identified target reservoirs are summarised below:

Primary Targets	Reservoir	Inferred Resource (PJ)
	Burra Group	66,000 ± 1,000
	Crystalline Basement	150,000 ± 10,000
Secondary Targets	Yerelina/Upalinna Subgroups	310,000 ± 40,000
	Umberatana Group	250,000 ± 20,000
	TOTAL PARACHILNA RESOURCE	780,000 ± 70,000

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 Inferred Resource Statement was completed by independent experts, Hot Dry Rocks Pty Ltd.

Resource Estimation Methodology

Torrens Energy used the 'stored heat' method to infer a Geothermal Resource in each of the target reservoirs identified, that together make up the Parachilna Inferred Geothermal Resource ("Parachilna Resource").

Heat flow values from drilling at Parachilna are very high, with temperatures of over 250°C predicted shallower than 5,000 m within an extensive 'hot spot' (ASX Announcement 20 August 2008). The assessment of stored heat utilised independently verified surface heat flow measurements (right) collected from drill holes earlier this year.

Well	Heat flow (mW/m ²)*
Sauron 1	120 ± 1
Nazgul 1	120 ± 1
Gandalf 1	116 ± 2 **
Balrog 1	110 ± 2
Gollum 1	106 ± 2
Edeowie 1	74 ± 7

*Upgraded from previously reported due to a calibration error

** Beneath 430 m, Gandalf heat flow is 83 ± 1 mW/m².

The stored heat method is a technique for estimating the total heat energy contained within a target volume, for which a realistic chance exists for economic extraction. 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'). Principal variables are presented in the Company's ASX Announcement on 20 August 2008.

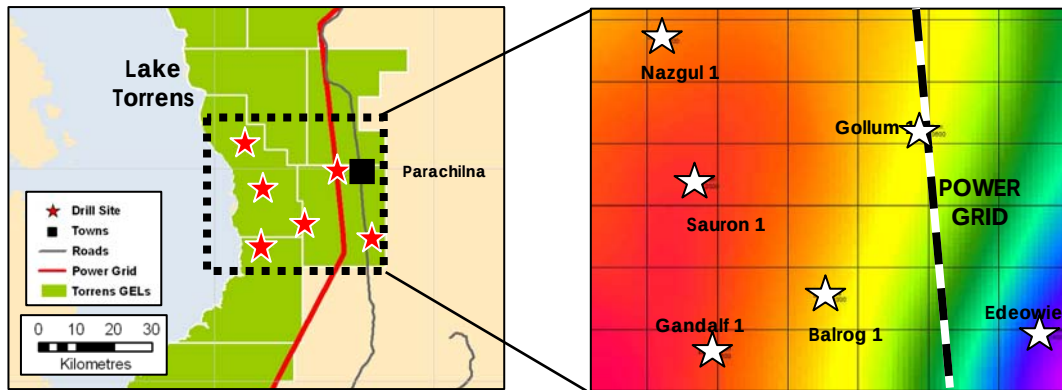


Figure 2: Tenement map (left) & Parachilna Resource estimated temperature variation at 5000m (right). High temperature zone is open to the north and south, and extends into areas inside the Company's tenement areas.

Exploration Drilling Programme Commenced

During the quarter Torrens Energy announced that exploration "heat mapping" had commenced, with the first wells spudded from the Company's 2008-2009 exploration programme. Planned exploration will test two key areas at its wholly owned Adelaide Plains and Port Augusta projects.



Up to 10 exploration wells are planned for approximately 5000m of drilling. The first two wells are being drilled as part of collaborations between Torrens Energy and two minerals exploration companies in cost sharing agreements.

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 models temperature variation in an area and serves to reduce critical uncertainties. This allows cheap and effective assessment of the geothermal potential of Project areas, adding value to projects.

This programme is fully funded and supported by \$3M in matched funding under the Australian Government's REDI.

Figure 3: Tenement map (left) and geology, showing & Parachilna Resource (black dashed rectangle) and Torrens Energy's GELs (green).

CORPORATE

Torrens Energy entered into a Geothermal Alliance Agreement (“GAA”) with AGL Energy Limited (ASX Announcement 9 July 2008). AGL is South Australia’s largest electricity provider, incorporating a diverse energy portfolio ranging from traditional generation to renewable.

Under the terms of the GAA Torrens Energy, as the upstream explorer, 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 project development through to delineating sites for a deep confirmation well to be sole funded by AGL.

Financial Position

The current cash at bank is \$6.84 million.

To date the Company has received \$1.3 million in matched funding, from the Federal Government’s \$3M Renewable Energy Development Initiative (REDI) grant, awarded in August 2007.

SUMMARY

CEO Chris Matthews is excited about the Company’s prospects and commented:

“Torrens Energy’s exploration programme continually aims to delineate new areas for geothermal resource established, right under the wires in South Australia. We are operating in a State where there are significant pressures on both electricity supply and demand, as well as the crucial need for emissions free baseload power. With our projects advancing and our programmes fully funded, we are on track to identify quality ‘hot spots’ for deep testing.”

He added:

“From a competitive point of view, the location of the Parachilna Resource and the other target areas, being proximal to existing power infrastructure, provide a real advantage over other geothermal plays in Australia. We have used innovation and clear thinking to gain prime geothermal real estate, and now are leading the sector in defining resources right where they will be most economic.”

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