TORRENS
ENERGY LIMITED

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2010

CONTENTS

CORPORATE DIRECTORY

Directors	Dennis Gee (Non-Executive Chairman) John Canaris (Managing Director) David Eiszele(Non-Executive Director) Howard McLaughlin (Non-Executive Director)
Exploration Manager	Jerome Randabel
Company Secretary	Robert Hodby
Registered Office	Suite 1, 338 Hay Street Subiaco WA 6008 PO Box 1505 Subiaco WA 6904 Telephone: +61 8 6380 1003 Facsimile: +61 8 6380 1026
Regional Operations Office	12 Eton Road Keswick SA 5035 PO Box 506 Unley SA 5061 Telephone: +61 8 8297 3300 Facsimile: +61 8 8297 1300
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	Deloitte Touche Tohmatsu Woodside Plaza, Level 14 240 St Georges Terrace Perth WA 6000
Solicitors	Steinepreis Paganin Level 4, 16 Milligan Street Perth WA 6000
Stock Exchange Listing	Australian Securities Exchange Limited ASX Code: TEY

Unless disclosed below, all the Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council have been applied by the Company for the entire financial year ended 30 June 2010.

Further information on policies adopted by the Company can be found on the Company's website at 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 Financial Report and their term of office are detailed on page 9 - 11 of 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 Managing Director. The Board ensures that the Managing Director and the management team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the Managing Director.

The roles of Chairman and Managing Director are not combined. The Managing Director 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 Managing Director 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 will 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 Dennis Gee, Mr David Eiszele, Mr Howard McLaughlin and Mr Marcus Gracey whilst he was in office, are considered to be independent and therefore the majority of the Board are independent.

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.

Mr David Eiszele performs the role of the Audit Committee at the date of this report. Until his retirement Marcus Gracey was also a member of the Audit Committee.

Mr Eiszele is an independent Non-Executive Director who is not chairman of the Board. The Company Secretary and external auditors are invited to assist Mr Eiszele at his discretion. 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.

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 the Managing Director will be decided by the Board, without the Managing 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.

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.

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.

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.	The 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 Managing Director. The Corporate Governance Policy also includes those tasks delegated to the Managing Director by the Board. The Company's Performance Evaluation Practices Policy sets out the evaluation process for the Board, individual Directors, board committees and senior executives of the Company. A performance evaluation was undertaken for each of these groups in accordance with the process in July 2010. A copy of the Board Charter and the Performance Evaluation Practices Policy is available on the Company's website www.torrensenergy.com.
2.	**Structure the board to add value**	
2.1	A majority of the board should be independent directors.	A majority of the Board is considered independent. Please refer to page 5 for further information.
Item	**ASX Best Practice Recommendation**	**Comment**
2.2	The chairperson should be an independent director.	The Chairperson is an independent director. Please refer to page 4 for further information.
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	The Chairperson and Managing Directors role are held by different individuals. Please refer to page 4 for further information.
2.4	The board should establish a nomination committee.	Due to the size of the Company, a nomination committee has not been formed, although a Nomination Committee Charter has been established. Please refer to page 5 for further information.
2.5	Process for evaluating the performance of the board, its committees and individual directors.	The Company's Performance Evaluation Practices Policy sets out the evaluation process for the Board, individual Directors, board committees and senior executives of the Company. A performance evaluation was undertaken for each of these groups in accordance with the process in July 2010. A copy of the Performance Evaluation Practices Policy is available on the Company's website www.torrensenergy.com.

Item	ASX Best Practice Recommendation	Comment
3.	**Promote ethical and responsible decision-making**	
3.1	Establish a code of conduct as to: (a) the practices necessary to maintain confidence in the company's integrity; (b) the practices necessary to take into account legal obligations and the reasonable expectations of their stakeholders; and (c) the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	The Corporate Governance Policy includes a Corporate Code of Conduct, which provides a framework for decisions and actions in relation to ethical conduct in employment. A copy of the Code of Conduct has been posted on the Company's website at www.torrensenergy.com.
3.2	Establish a policy concerning trading in company securities by directors, senior officers and employees.	The Corporate Governance Policy includes a Securities Trading Policy which provides guidelines for buying and selling securities in the Company. A copy of the Securities Trading Policy has been posted to the Company's website at www.torrensenergy.com. Please refer to page 6 for further information.
4.	**Safeguard integrity in financial reporting**	
4.1	The board should establish an audit committee.	An Audit Committee has been established. Please refer to page 5 for further information.
4.2	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.	The Audit Committee comprises a Non-Executive Director. The Director currently serving on the Audit Committee is deemed independent. The chairperson of the Audit Committee is not the Chairperson of the Board. Please refer to page 5 for further information.
4.3	The audit committee should have a formal charter.	The Corporate Governance Policy includes a formal charter for the Audit Committee, as posted on the Company's website at www.torrensenergy.com. The Audit Committee Charter also contains details on the procedures for the selection and appointment of the external auditor, and the rotation of external audit engagement partners.
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 Policy in place designed to ensure the factual presentation of the Company's position at all times. A copy of this policy is available on the Company's website at www.torrensenergy.com.
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 has a Shareholder Communications Policy in place which sets out the procedures to provide shareholders with relevant information which include identifying 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. A copy of the Shareholder Communication Policy is available on the Company's website at www.torrensenergy.com.

Item	ASX Best Practice Recommendation	Comment
7.	**Recognise and manage risk**	
7.1	Establish policies on risk oversight and management of material business risk.	The Company's Corporate Governance Policy includes a Risk Management and Internal Compliance and Control Policy. Under this policy the Board determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies for internal compliance and internal control. A copy of this policy is available on the Company's website at www.torrensenergy.com.
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and to report to the board on whether those risks are being managed effectively.	The Managing Director is responsible for the implementation and monitoring of business risk. He is required to report to the board on a monthly basis regarding any identified risks. The risk management and internal control system is reviewed annually, at the completion of the Financial Statements reporting.
7.3	The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) should state to the Board in writing that declaration in accordance with section 295A of the Corporations Act is founded on the Company's risk management, internal compliance and control system is operating efficiently and effectively in all material respects.	The Board will request that the relevant Director and Company Secretary provide such a statement at the relevant time.
8.	**Remunerate fairly and responsibly**	
8.1	The board should establish a remuneration committee.	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, Managing Director and executives of the Company. Please refer to page 5 for further information.
8.2	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 nor are they entitled to retirement allowances. The Company's Constitution provides that the remuneration of non-executive Directors will 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 Managing Director and senior executives. Please refer to page 12 of the Remuneration Report for further information.

DIRECTORS REPORT

Your Directors present their report on the Company for the financial year ended 30 June 2010.

DIRECTORS

The names and details of the Directors of Torrens Energy Limited ("Company") 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
John Canaris	-	Managing Director
David Eiszele	-	Non-Executive Director
Howard McLaughlin	-	Non-Executive Director (appointed 1 September 2009)
Marcus Gracey	-	Non-Executive Director (resigned 31 July 2010)

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 ("NTGS"). He has held senior management positions in Reynolds Australia Metals Ltd, MIM Exploration ("MIMEX") 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 Councillor 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.

Dr Gee is currently a Non-Executive Director of Quest Minerals Limited.

Mr John Canaris

Managing 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.

Mr Canaris was a founding Non-Executive Director of the Company and was appointed to the role of Executive Director on 1 December 2008 and elected by the Board as Managing Director on 30 August 2010.

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 Verve Energy, the WA Government owned electricity generator and Chairman of the Lions Eye Institute Limited.

Mr Howard McLaughlin

Non-Executive Director (Appointed 1 September 2009)

Mr McLaughlin, B.Sc. Geology, is an experienced corporate leader with an extensive international background focused on hydrocarbon exploration, appraisal and renewable business development.

Most recently Mr McLaughlin has pursued his interest in global renewable energy projects and is currently the Chief Executive Officer of GreenTech Renewables LLC, an investment and operational group which brings together a team of international experts across the renewable energy sector.

Mr McLaughlin has over 30 years experience in the petroleum industry, 19 of these years with BHP Billiton worldwide. His most recent position was Vice President of Global Exploration, based in Houston Texas, where he had overall stewardship of BHP Billiton's global petroleum assets managing worldwide expenditures in excess of USD $300 million annually.
Other recent key roles include Managing Director and Chief Executive Officer of Antares Energy Ltd (Amity Oil Ltd), an Australian public company engaged in oil and gas production in Texas and Oklahoma.

Mr Marcus Gracey

Non-Executive Director (Resigned on 31 July 2010)

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.

EXPLORATION MANAGER

Mr Jerome Randabel

Mr Randabel is a geologist with 18 years experience 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 in uranium mining and exploration for Heathgate Resources Pty Ltd and subsequently for Uranium Equities Ltd, and most recently Monaro Mining NL where he was the Chief Geologist responsible for designing and implementing exploration strategies both in Australia and overseas. Mr Randabel's areas of expertise include 3D resource modelling and resource estimation, project evaluation and exploration management.

COMPANY SECRETARY

Mr Robert Hodby

Mr Hodby holds a Bachelor of Commerce from Murdoch University and is a member of CPA Australia and Chartered Secretaries Australia. Mr Hodby provides corporate, management and accounting advice to a number of companies involved in the resource and energy industries. Mr Hodby is the Company Secretary of Liberty Resources Limited and a Non-Executive Director of New Horizon Minerals Limited.

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 Ordinary Shares
Dennis Gee	300,000	390,000
John Canaris	3,150,000	390,000
David Eiszele	130,000	390,000
Howard McLaughlin	-	-

REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration paid to each director of the Company and Key Management for the financial year 30 June 2010. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

Key Management Personnel

(i) Directors

Dennis Gee (Non-Executive Chairman}

John Canaris (Managing Director)

David Eiszele

Howard Mclaughlin (Appointed 1 September 2009)

Marcus Gracey (Resigned 31 July 2010)

(ii) Executives

Jerome Randabel (Exploration Manager – Appointed 30 November 2009)

Bruce Godsmark (Exploration Manager – Resigned 4 January 2010)

Chris Matthews (Chief Geologist – Resigned 30 April 2010)

Robert Hodby (Company Secretary – Appointed 23 November 2009)

Jade Styants (Company Secretary – Resigned 30 November 2010)

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 Managing Director 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. All bonuses and incentives are not dependent upon performance of the Company as the nature of the Company's operations are exploration and are not generating profits. The Board exercises its discretion in relation to incentives, bonuses and options.

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 company option plans. The board does not have a policy in relation to the limiting of risk to directors and executives in relation to the shares and options provided.

Employment Contracts

Remuneration and other terms of employment for the following Key Management Personnel are formalised in service agreements, the terms of which are set out below:

Dennis Gee, Non-Executive Chairman

- Term of agreement – commencing 9 February 2007 and subject to re-election as required by the Company's constitution.
- Termination as per constitution or breach of code of conduct
- Annual Non-executive Chairman's fees of $40,000 effective.

John Canaris, Managing Director:

- Term of agreement – commencing 27 January 2006.
- Permanent employee 3 months notice of termination.
- Annual Managing Directors fees of $220,000.

David Eiszele, Non-executive Director

- Term of agreement – commencing 10 July 2007 and subject to re-election as required by the Company's constitution.
- Termination as per constitution or breach of code of conduct
- Annual director fees of $35,000.

Howard Mclaughlin, Non-executive Director

- Term of agreement – commencing 1 September 2009 and subject to re-election as required by the Company's constitution.
- Termination as per constitution or breach of code of conduct
- Annual director fees of $35,000

Marcus Gracey, Non-executive Director (resigned 31 July 2010)

- Term of agreement – commencing 10 July 2007 and subject to re-election as required by the Company's constitution.
- Termination as per constitution or breach of code of conduct
- Annual director fees of $35,000

Rob Hodby, Company Secretary

- Term of agreement – commencing 23 November 2009
- Month to month contract
- Fees charged on a daily basis

Jade Styants, Company Secretary (resigned 30 November 2009)

- Term of agreement – commencing 27 January 2007
- Month to month contract
- Monthly fees of $3,500 plus additional fees on a hourly basis

Jerome Randabel, Exploration manager

- Term of agreement – commencing 23 November 2009
- Permanent employee 3 months notice of termination
- Annual salary of $155,000

Chris Matthews, Chief Geologist (resigned 30 April 2010)

- Term of agreement – commencing 26 November 2008
- 3 year contract 1 months notice of termination
- Annual salary of $150,000

Bruce Godsmark, Exploration manager (resigned 4 January 2010)

- Term of agreement – commencing 14 April 2008
- 3 year contract, 3 months notice of termination
- Annual salary of $140,000

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. Remuneration levels are not dependent upon performance criteria as the nature of the Company's operations are exploration and are not generating profits.

Remuneration committee

The Remuneration Committee function is performed by the whole Board of Directors and is discussed in board meetings. All directors jointly take responsibility determining and reviewing compensation arrangements for the directors and the executive team.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of directors and executives on a periodic basis by reference to relevant employment market conditions with an overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

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		
2010	**Salary/Fees $**	**Superannuation $**	**Options $**	**Total $**	**% of compensation consisting of options**
Non Executive					
Dennis Gee	40,000	3,600	-	43,600	-
John Canaris (1)	220,000	-	-	220,000	-
David Eiszele	35,000	3,150	-	38,150	-
Howard Mclaughlin	29,167	2,625	-	31,792	-
Marcus Gracey (2)	35,000	-	-	35,000	-
Executive					
Robert Hodby (3)	71,925	-	-	71,925	--
Jade Styants (4)	36,271	-	-	36,271	-
Jerome Randabel (5)	91,089	8,198	-	99,287	-
Chris Matthews (6)	137,604	12,384	-	149,988	-
Bruce Godsmark (7)	70,000	6,300	-	76,300	-
TOTAL	**766,056**	**36,257**	**-**	**802,313**	**-**

(1) Consultancy fees and expense allowances of $220,000 were paid or payable to Tracker Geoservices Pty Ltd, of which Mr Canaris is a director and beneficiary.
(2) Mr Gracey received $35,000 in salary for Non-Executive Director duties, which was paid to Millennium Falcon Pty Ltd, of which Mr Gracey is a director and beneficiary.
(3) Mr Hodby was appointed Company Secretary on 23 November 2009.
(4) Ms Jade Styants resigned as Company Secretary 30 November 2009.
(5) Mr Randabel was employed as Exploration Manager on 30 November 2009.
(6) Mr Matthews resigned as Chief Geologist on 30 April 2010 (salary included accrued leave entitlements)
(7) Mr Godsmark resigned as Exploration Manager on 4 January 2010.

	Short-term	Post-employment	Share-based payment		
2009	Salary/Fees $	Superannuation $	Options (a) $	Total $	% of compensation consisting of options
Non Executive					
Dennis Gee (1)	49,850	3,600	4,751	58,201	8.16%
John Canaris (2)	199,100	1,312	4,751	205,163	2.32%
David Eiszele	35,000	3,150	4,751	42,901	11.07%
Marcus Gracey (3)	35,000	-	4,751	39,751	11.95%
Executive					
Jade Styants	56,520	-	2,375	58,895	4.0%
Chris Matthews (4)	145,972	13,138	990	160,100	0.62%
Bruce Godsmark	140,000	12,600	-	152,600	-
TOTAL	**661,442**	**33,800**	**22,369**	**717,611**	

(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 $40,000 in salary for Non-Executive Chairman duties. Additional consultancy fees and expense allowances totalling $9,850 were paid directly to Dr Gee for services performed in addition to his role as Non-Executive Chairman.

(2) Mr Canaris received $14,583 in salary for Non-Executive Director duties. Consultancy fees and expense allowances of $184,516 were paid to Tracker Geoservices Pty Ltd, of which Mr Canaris is a director and beneficiary.

(3) Mr Gracey received $35,000 in salary for Non-Executive Director duties, which was paid to Millennium Falcon Pty Ltd, of which Mr Gracey is a director and beneficiary.

(4) Mr Chris Matthews was appointed Chief Geologist on 1 December 2008. Prior to this change he was previously the Chief Executive Officer of the Company.

Options Granted as Remuneration

There were no Options granted as Remuneration in 2010

2009				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	100,000	-	24/11/2008	0.0189	0.44	02/07/2009	30/06/2011
	130,000	-	24/11/2008	0.0125	0.66	02/07/2009	30/06/2011
	160,000	-	24/11/2008	0.0077	0.99	02/07/2009	30/06/2011
David Eiszele	100,000	-	24/11/2008	0.0189	0.44	02/07/2009	30/06/2011
	130,000	-	24/11/2008	0.0125	0.66	02/07/2009	30/06/2011
	160,000	-	24/11/2008	0.0077	0.99	02/07/2009	30/06/2011
Marcus Gracey	100,000	-	24/11/2008	0.0189	0.44	02/07/2009	30/06/2011
	130,000	-	24/11/2008	0.0125	0.66	02/07/2009	30/06/2011
	160,000	-	24/11/2008	0.0077	0.99	02/07/2009	30/06/2011
Executive							
John Canaris	100,000	-	24/11/2008	0.0189	0.44	02/07/2009	30/06/2011
	130,000	-	24/11/2008	0.0125	0.66	02/07/2009	30/06/2011
	160,000	-	24/11/2008	0.0077	0.99	02/07/2009	30/06/2011
Chris Matthews	300,000	300,000	27/01/2009	0.0032	0.44	27/01/2009	10/03/2011
	350,000	350,000	27/01/2009	0.0006	0.66	27/01/2009	10/03/2011
	400,000	400,000	27/01/2009	0.0001	0.99	27/01/2009	10/03/2011
Bruce Godsmark	-	-	-	-	-	-	-
Jade Styants	50,000	-	28/11/2008	0.0189	0.44	02/07/2009	30/06/2011
	65,000	-	28/11/2008	0.0125	0.66	02/07/2009	30/06/2011
	80,000	-	28/11/2008	0.0077	0.99	02/07/2009	30/06/2011

Options granted are not subject to performance criteria in accordance with the Company's Remuneration policy apart for a service period before they vest. All options were granted for nil consideration.

During the year, the following directors and senior management exercised options that were granted to them as part of their compensation. Each option converts into one ordinary share of Torrens Energy Limited (2009: NIL).

	No. of options exercised	No. of ordinary shares of Torrens Energy Ltd issued	Amount paid	Amount unpaid
Non Executive				
Dennis Gee	100,000	100,000	20,000	-

The following table summarises the value of options granted, exercised or lapsed to key management personnel.

	Value of options granted at the grant date (1)	Value of options exercised at the exercise date	Value of options lapsed at the lapse date (2)
Non Executive			
Dennis Gee	-	4,000	-
John Canaris	-	-	-
David Eiszele	-	-	-
Howard Mclaughlin	-	-	-
Marcus Gracey	-	-	-

(1) The value of options granted during the period is recognised in compensation over the vesting period of the grant, in accordance with Australian accounting.

(2) The value of options lapsing during the period due to the failure to satisfy a vesting condition is determined assuming the vesting condition had been satisfied.

[END OF REMUNERATION REPORT]

Meetings of Directors

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

	Directors Meetings		Remuneration Meetings		Audit Meetings	
	Number Eligible to attend	Number Attended	Number Eligible to attend	Number Attended	Number Eligible to attend	Number Attended
Directors						
Dennis Gee	10	10	1	1	-	-
John Canaris	10	10	1	1	-	-
David Eiszele	10	8	1	1	1	1
Marcus Gracey	10	10	1	0	1	1
Howard Mclaughlin	8	8	1	1	-	-

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 $12,793 (2009:$13,331) to insure the directors and officers of the Company.

OPERATING AND FINANCIAL REVIEW

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 2010 amounted to $1,102,341 (2009: $604,181).

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

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 63,662,842 ordinary shares and 5,005,000 options on issue.

Review of Operations
THE PARACHILNA GEOTHERMAL PLAY – A Lead Project Under the Wires
The Parachilna Geothermal Play is the Company's most advanced project, containing the highest recorded heat flows and modelled temperatures on the grid in Australia. In 2008 Torrens Energy established Parachilna as the world's first and Australia's largest "code-compliant" Inferred Geothermal Resource (780,000PJ) demonstrating the potential for a substantial geothermal field to be established on-grid 280 kilometres north of Adelaide in South Australia (SA).

Validation drilling, designed to improve the geological understanding and refine the siting of the Company's first deep geothermal well, Elendil 1, was successfully completed to 1,007m depth. Excellent recorded heat flows have further defined the Project target by providing more control to the 3D Temperature Field Model (3D-TFM) and the resulting basement objective, bringing the Company a step closer to the deep drill testing of this on-grid 'hot rock' Engineered Geothermal System (EGS) target.

SEISMIC ACQUISITION COMPLETED – "Hot-spot" Prospectivity Expanded
The 2D Nilpena Seismic Survey completed in the north of the Parachilna Geothermal Play was highly successful in meeting its objectives, with key geological formations identified being a thick sequence of flat-lying insulating sediments overlain by interpreted heat producing basement, significantly de-risking the Parachilna Geothermal Play and expanding the influence of exceptional values returned from drilling. This result points to the Parachilna Geothermal Play as having all technical attributes required for geothermal temperatures of +200°C at less than 4,000m over a very large area.

GRANT FUNDING SECURED – The $7m Geothermal Drilling Program (GDP)
During the year Torrens Energy was advised by Australian Government Department of Resources Energy and Tourism that its application for $7m Geothermal Drilling Program Round 2 (GDP) funds had passed merit assessment. The $7m "matched" funding will be directed toward achieving proof-of-concept at the Company's Parachilna Inferred Resource in SA, coinciding with Australian Government's move to expand the existing Mandatory Renewable Energy Target (MRET now known as RET) and a carbon trading scheme, stimulating green-project investment and support for the geothermal sector.

CAPITAL RAISING COMPLETED – $1.7m Raised on Options Exercise

Torrens Energy successfully completed its March 2010 option exercise for approximately $1.7m representing over 25% per cent uptake on listed options issued in 2007 at a strike price of $0.25. Torrens Energy is delighted with the support it has received from these option holders, especially in light of the relatively low share price during the year.

NEW PROJECT ACQUIRED – Innovative Exploration as a Model for Success

Torrens continues to progress its strategic land acquisitions with the successful application for GEL559, a key geothermal licence package north of the Parachilna Geothermal Play. The Mulgaria Project extends Torrens Energy's influence 70 kilometres northward along the highly prospective Torrens Hinge Zone, expanding the Company's total landholding to 13,307 square kilometres and consolidating one of the largest geothermal land position in Australia.

AGL ENERGY LIMITED – Barossa Project Funded, SA

AGL Energy Limited (AGL) is Australia's largest integrated renewable energy company. Its retail gas and electricity customer base is the largest in the country, and AGL is also Australia's largest private owner, operator and developer of renewable energy. The AGL funded Barossa Project 70 km north of Adelaide is nearing completion with drilling completed targeting an area with insulating siltstone overlying the heat-producing Barossa Complex. Thermal conductivity measurements are being undertaken on the drill samples to determine the insulating properties of the sediments. By funding this project AGL may earn a 75 per cent participating interest in the Barossa Project through the further finding of a deep well.

Torrens Energy as the upstream geothermal explorer, and AGL as the downstream operator, have agreed to initiate geothermal project generation through the delineation and testing of prospective sites by deep confirmation well drilling. AGL has a 'first right" to earn into a project by completing a confirmation well to the target depth (estimated $10-15m), for a 50/50 participating basis.

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
10/03/2011	$0.44	600,000	-
10/03/2011	$0.66	700,000	-
10/03/2011	$0.99	800,000	-
30/06/2011	$0.44	480,000	-
30/06/2011	$0.66	635,000	-
30/06/2011	$0.99	790,000	-
24/02/2013	$0.40	1,000,000	-
TOTAL		**5,005,000**	**-**

During the year ended 30 June 2010, 6,998,168 ordinary shares of the Company were issued on the exercise of options. No amounts are unpaid on any of the shares.

DIVIDENDS

The Directors of the Company do not recommend the payment of a dividend in respect of the current financial year ended 30 June 2010.

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 the resignation of Mr Marcus Gracey as a Non-Executive Director on 31 July 2010.

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.

PKF Chartered Accountants & Business advisers were paid $1,440 for tax services during the year ended 30 June 2010 (2009: NIL).

AUDITORS INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2010 has been received and can be found on page 23 of the Annual Financial Report.

CORPORATE GOVERNANCE

The Directors recognises the Australian Securities Exchange Corporate Governance Council's Principles Recommendations 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

Dennis Gee
Chairman
Dated 30 September 2010

Deloitte.

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The Board of Directors
Torrens Energy Limited
338 Hay Street
SUBIACO WA 6008

30 September 2010

Dear Board Members

Torrens Energy Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Torrens Energy Limited.

As lead audit partner for the audit of the financial statements of Torrens Energy Limited for the financial year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Nicoloff

Chris Nicoloff
Partner
Chartered Accountants

STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 30 JUNE 2010

	Notes	2010 $	2009 $
Interest Revenue	2	122,890	315,716
Other Income	2	117,170	-
Share based payments	3	(117,891)	(35,844)
Depreciation expense	3	(24,468)	(23,955)
Other expenses from ordinary activities	3	(705,653)	(507,843)
Employees Benefit Expense	4	(494,389)	(352,255)
LOSS BEFORE INCOME TAX		(1,102,341)	(604,181)
Income tax expense	5		-
LOSS FROM CONTINUING OPERATIONS		**(1,102,341)**	**(604,181)**
Other comprehensive income		**-**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(1,102,341)**	**(604,181)**
Basic loss per share (cents per share)	17	(1.91)	(1.08)
Diluted earnings loss per share (cents per share)	17	(1.91)	(1.08)

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

	Notes	2010 $	2009 $
CURRENT ASSETS			
Cash and cash equivalents	6	3,323,213	5,361,474
Trade and other receivables	7	802,391	84,523
Prepayments		500	47,651
Other financial assets	8	141,241	172,940
TOTAL CURRENT ASSETS		4,267,345	5,666,588
NON-CURRENT ASSETS			
Property, plant and equipment	9	74,943	91,085
Exploration and evaluation expenditure	10	5,269,684	3,400,073
TOTAL NON-CURRENT ASSETS		5,344,627	3,491,158
TOTAL ASSETS		9,611,972	9,157,746
CURRENT LIABILITIES			
Trade and other payables	11	630,874	1,116,296
Provisions	12	16,260	30,882
TOTAL CURRENT LIABILITIES		647,134	1,147,178
TOTAL LIABILITIES		647,134	1,147,178
NET ASSETS		**8,964,838**	**8,010,568**
EQUITY			
Issued Capital	13	10,492,024	8,543,943
Reserves	14	359,063	250,532
Accumulated Losses	14	(1,886,249)	(783,907)
TOTAL EQUITY		**8,964,838**	**8,010,568**

STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2010

	Share Capital Ordinary $	Accumulated Losses $	Option Reserve $	Total $
BALANCE AT 1 JULY 2008	**6,318,617**	**(179,727)**	**214,688**	**6,353,578**
Loss for Period	-	(604,181)	-	(604,181)
Other comprehensive income	-	-	-	-
Total Comprehensive Income	-	(604,181)	-	(604,181)
Transactions with owners in their capacity as owners				
Shares Issued during the year	2,233,283	-	-	2,233,283
Transaction Costs	(7,957)	-	-	(7,957)
Share Based Payment	-	-	35,844	35,844
BALANCE AT 30 JUNE 2009	**8,543,943**	**(783,908)**	**250,532**	**8,010,567**
Loss for Period	-	(1,102,341)	-	(1,102,341)
Other comprehensive income	-	-	-	-
Total Comprehensive Income	-	(1,102,341)	-	(1,102,341)
Transactions with owners in their capacity as owners				
Shares Issued during the year	194,178	-	-	194,178
Exercise of Options	1,753,903	-	(9,360)	1,744,543
Share Based Payment	-	-	117,891	117,891
BALANCE AT 30 JUNE 2010	**10,492,024**	**(1,886,249)**	**359,063**	**8,964,838**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 $	2009 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(1,368,282)	(817,098)
Interest received		183,730	284,546
Other Income received		-	-
Payments for exploration and evaluation		(3,055,585)	(2,409,832)
Receipts from government grants		300,622	1,514,160
NET CASH FLOWS USED IN OPERATING ACTIVITIES	15	**(3,939,515)**	**(1,428,224)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(8,326)	(52,734)
Bank Guarantee		(29,141)	(12,100)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(37,467)**	**(64,834)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares and options		1,938,721	2,233,283
Payments for share issue costs		-	(7,957)
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		**1,938,721**	**2,225,326**
NET INCREASE (DECREASE) IN CASH HELD		**(2,038,261)**	**732,268**
Cash at beginning of financial year		**5,361,474**	**4,629,206**
CASH AT END OF FINANCIAL YEAR	6	**3,323,213**	**5,361,474**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report of Torrens Energy Limited for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the directors on 30 September 2010.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').

New Accounting standards and interpretations

The Company has adopted all new and revised Australian Accounting Standards and AASB Interpretations that are relevant to its operations and effective for reporting periods beginning on 1 July 2009. The following standards are:

New or revised requirement	Effective for annual reporting periods beginning/ending on or after	More information	Impact on Company
AASB 101: Presentation of Financial Statements (Revised September 2007), AASB 2007-8 Amendments to Australian Accounting Standards & Interpretations and AASB 2007-10 Further Amendments to AASBs arising from AASB 101. The revised standard affects the presentation of changes in equity and	Beginning 1 January 2009	This has been adopted for the year ended 30 June 2010	The Company has adopted the revised terminologies for presentation of its financial statements in accordance with AASB 101.

New or revised requirement	Effective for annual reporting periods beginning/ending on or after	More information	Impact on Company
comprehensive income. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other AASB standards.			
AASB 8: Operating Segments, AASB 2007-3 Amendments to Australian Accounting Standards 5, 6, 102, 107, 119, 127, 134, 136, 1023 & 1038 arising from AASB 8. This standard supersedes AASB 114, Segment Reporting introducing a US GAAP approach of management reporting as part of the convergence project with FASB.	Beginning 1 January 2009	This has been adopted for the year ended 30 June 2010	The Company has revised its disclosure requirements in accordance with AASB 8, for the Company's operating segments, as described in Note 21.
AASB 123: Borrowing Costs (Revised), AASB 2007-6 Amendments to Australian Accounting Standards 1, 101, 107, 111, 116, 138 and Interpretations 1 & 12. This revision eliminates the option to expense borrowing costs on qualifying assets and requires that they be capitalised. The Amending Standard eliminates reference to the expensing option in various other pronouncements.	Beginning 1 January 2009	This has been adopted for the year ended 30 June 2010	The adoption of this standard had no impact on the Company.
AASB 2008-1: Amendments to AASB 2 "Share Based Payments" The amendment clarifies that vesting conditions comprise service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.	Beginning 1 January 2009	This has been adopted for the year ended 30 June 2010	The adoption of this standard had no impact on the Company.

New or revised requirement	Effective for annual reporting periods beginning/ending on or after	More information	Impact on Company
AASB 2008-7: Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate This amends and clarifies the following standards AASB 101, AASB 118, AASB 127 & AASB 136 for the treatment of determining the cost of an investment in a subsidiary, jointly controlled entity or associate	Beginning 1 January 2009	This has been adopted for the year ended 30 June 2010	The adoption of this standard had no impact on the Company.
AASB 3 Business Combinations (Revised), AASB 127 Consolidated and Separate Financial Statements (Amended), AASB2008-3 Amendments to AASBs arising from AASB 3 and AASB 127 This revision changes the application of acquisition accounting for business combinations and accounting for non - controlling interests. The revised and amended standards changes affect the valuation of non controlling interest, the accounting of transaction costs and the initial recognition and subsequent recognition of contingent considerations.	Beginning 1 July 2009	This has been adopted for the year ended 30 June 2010	These standards are applied prospectively and had no material impact on prior business combinations. The adoption has amended the accounting policy of business combinations for the Company.
AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project; AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project; AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Process;	Beginning 1 January 2009 and 1 July 2009	This has been adopted for the year ended 30 June 2010	The adoption of this standard had no material impact on the Company.

The following Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Company for the year ended 30 June 2010.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 January 2010	30 June 2011
AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions	1 January 2010	30 June 2011
AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues	1 February 2010	30 June 2011
AASB 124 Related Party Disclosures (revised December 2009), AASB 2009-12 Amendments to Australian Accounting Standards	1 January 2011	30 June 2012
AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013	30 June 2014
Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010	30 June 2011
AASB 2009-12: Amendments to Australian Accounting Standards	1 January 2011	30 June 2012.
AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 January 2011	30 June 2012

Accounting Policies

a) Going Concern

The Company has incurred a net loss after tax for the year ended 30 June 2010 of $1,102,341 and has cash assets of $3,323,213 as at 30 June 2010. The Company also has minimum work program requirements on its various geothermal exploration permits of approximately $9.565 million as disclosed in Note 16(a).

It is the opinion of the board of directors that there are reasonable grounds to believe that the operational and financial plans in place are achievable and accordingly the Company will be able to continue as a going concern and meet its debts as and when they fall due

In forming their opinion the board of directors have considered the following:

- The Company currently has a funding agreement in place with AGL Energy Limited ("AGL") whereby AGL funds the exploration activity on the Barossa Clare Project for an earn out of up to 75%. Should AGL withdraw their funding the Company plans to relinquish the tenement.
- The Company is currently in negotiations with a third party to finalise a farm-in agreement on the Parachilna Project. If the negotiations are not successful or if they are delayed the Company is planning to seek deferral on expenditure requirements from PIRSA to allow the Company to secure additional funds.
- The Company has secured a $7 million Geothermal Drilling Program (GDP) grant from the government which is in the form of "matched" funding to be directed toward achieving proof-of-concept at the Company's Parachilna project.
- Should funding not be available for both the Barossa Clare or Parachilna projects, the cash flow forecast for the period ending 30 September 2011 indicates that the Company has sufficient cash resources to continue with other exploration programmes that are currently underway as at 30 June 2010 and that the Company will have sufficient cash flows to meet all working capital requirements and its other contractual commitments. As at 30 June 2010 and at the date of this report all geothermal exploration permits are in good standing therefore no impairment of deferred exploration assets is considered necessary.

Based on the matters discussed above, the directors are satisfied that the going concern basis of preparation is appropriate. The financial report has therefore been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

b) 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 substantively enacted by the statement of financial position date.

Deferred tax is accounted for using the statement of financial position 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 to the profit and loss component of the statement of comprehensive income except where it relates to items that may be credited directly to other comprehensive income or equity, in which case the deferred tax is adjusted directly against other comprehensive income or 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.

c) 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.

Plant and equipment

Plant and equipment are measured on a historical 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 profit and loss component of the statement of comprehensive income 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 statement of financial position 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 profit and loss component of the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

d) 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 a discounted basis.

Payments for exploration and development expenditure are net of government grants and funding partner contribution.

e) Government Grants

Government grants are assistance by the government in the form of transfers of resources to the Company in return for past or future compliance with certain conditions relating to the operating activities of the Company.

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and the grant will be received.

Government grants are offset against capitalised expenditure over the periods they are receivable as recoupment for expenditure already incurred.

f) Leases

Leases of fixed assets where substantially all risks and benefits incidental to the ownership of the asset, but not the legal ownership, are 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 on a straight line basis over the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

g) Financial Instruments

Recognition

Financial instruments are initially measured at fair value on trade date, plus transaction costs (except where the instrument is measured at fair value through profit or loss), 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 or 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 profit or loss component of the statement of comprehensive income 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, with the exception of impairment losses which are recognised in the profit or loss component of the statement of comprehensive income.

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 significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the profit or loss component of the statement of comprehensive income.

h) 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 profit or loss component of the statement of comprehensive income.

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.

i) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of the entity is 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 profit or loss component of the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

j) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Short term employee benefits have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Long term employee benefits 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 profit and loss component of the statement of comprehensive income. The total amount to be expensed over the vesting period is determined by reference to the grant date fair value of the shares or the options granted.

k) Trade and other receivables

Trade and other receivables, which generally have 30 day terms, are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method, less an allowance for any estimated shortfall in receipt. An estimate of any shortfall in receipt is made when there is objective evidence a loss has been incurred. Bad Debts are written off when identified.

l) Trade and other payables

Liabilities for creditors and other amounts are carried at amortised cost, which is the present value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company. The carrying period is dictated by market conditions but is generally less than 30 days.

m) 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.

n) 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.

o) Revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Revenue from the sale of goods is recognised when the company has transferred to the buyer the significant risks and rewards of ownership of the goods.

Revenue from the rendering of a service is recognised by reference to the stage of completion of the contract.

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

p) 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 the profit or loss component of the statement of comprehensive income in the period in which they are incurred.

q) 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 (ATO). 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 statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables.

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.

r) Share Based Payments

Equity-settled share based payments with employees and others providing similar services are measured at fair value of the equity instrument at the grant date. Fair value is measured by use of the Black-Scholes model.

s) 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.

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.

	2010 $	2009 $
2. REVENUE		
Interest received from financial institutions	122,890	315,716
Other income	117,170	-
Total Revenue	**240,060**	**315,716**
3. EXPENSES FOR THE YEAR		
Share based payments	117,891	35,844
Depreciation of plant & equipment	24,468	23,955
Finance & Legal expenses	91,846	64,389
Impairment expense of exploration expenditure	291,123	20,331
Occupancy expense	73,557	66,959
Corporate expense	82,478	49,289
Travel expense	47,865	26,898
Joint Venture expenses	26,740	129,335
Other expenses	92,044	150,642
Total expenses from ordinary activities	**848,012**	**567,642**
4. EMPLOYEE BENEFITS EXPENSE		
Wages and salaries	495,622	260,917
Other personnel expenses	12,151	56,520
Superannuation costs	5,775	3,937
Annual leave provision	(19,159)	30,882
Total Employee Benefits Expense	**494,389**	**352,255**

	2010 $	2009 $

5. 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:

	2010 $	2009 $
Loss from ordinary activities	(1,102,340)	(604,181)
Prima facie tax on loss from ordinary activities at tax rate of 30% (2009:30%)	(330,702)	(181,254)
Tax effect of permanent differences	-	-
Benefit of tax losses not brought to account as an asset	330,702	181,254
Income tax expense attributable to entity	**-**	**-**

b) Tax Losses

The Directors estimate that the tax losses available to the Company at 30 June 2010 which may be available to offset against taxable income in future years is $5,028,162 (2009 $3,047,603). The benefit of these losses has not been brought to account. 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

6. CASH AND CASH EQUIVALENTS

	2010 $	2009 $
Cash at bank and on hand	1,277,790	330,004
Short-term bank deposits	2,045,423	5,031,470
	3,323,213	**5,361,474**

Reconciliation of Cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the statement of financial position as follows:

	2010 $	2009 $
Cash and cash equivalents (as above)	**3,323,213**	**5,361,474**

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.

	2010 $	2009 $
7. TRADE AND OTHER RECEIVABLES		
Goods and services taxation receivable *(i)*	90,992	84,523
Other Debtors *(ii)*	711,399	-
	802,391	**84,523**

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

(ii) Other debtors relate to recoupment of costs from AGL.

8. OTHER FINANCIAL ASSETS

	2010 $	2009 $
HELD-TO-MATURITY		
Bank Guarantees *(a)*	141,241	112,100
OTHER		
Interest Receivable	-	60,840
	141,241	**172,940**

(a) Bank Guarantees are held by the Company, as a condition to South Australian tenements held, for environmental work required. These will remain in place for term of the tenements and until environmental clearances are provided to PISRA's satisfaction. Guarantees are also provided for bonds for leased office premises.

9. PROPERTY, PLANT AND EQUIPMENT

	2010 $	2009 $
At cost	145,417	137,091
Accumulated depreciation	(70,474)	(46,006)
	74,943	**91,085**

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	Motor Vehicle	Total
Balance at 1 July 2008	**17,527**	**8,819**	**3,116**	**6,166**	**27,275**	**-**	**62,903**
Additions	9,905	3,060	4,760	2,211	4,590	28,354	**52,880**
Depreciation expense	(6,235)	(3,601)	(2,036)	(904)	(8,392)	(2,787)	**(23,955)**
Disposal	(743)	-	-	-	-	-	**(743)**
Balance at 30 June 2009	**20,454**	**8,278**	**5,840**	**7,473**	**23,473**	**25,567**	**91,085**
Additions	3,469	406	1,226	3,225	-	-	**8,326**
Depreciation expense	(6,046)	(3,816)	(2,346)	(1,164)	(7,891)	(3,205)	**(24,468)**
Disposal	-	-	-	-	-	-	**-**
Balance at 30 June 2010	**17,877**	**4,868**	**4,720**	**9,534**	**15,582**	**22,362**	**74,943**

	2010 $	2009 $
10. EXPLORATION AND EVALUATION EXPENDITURE		
Exploration and evaluation expenditure carried forward:		
Carrying amount as at 1 July	3,400,073	1,552,463
Exploration expenditure capitalised	3,411,950	3,382,101
Grant funding received	(1,251,216)	(1,514,160)
Exploration expenditure written off	(291,123)	(20,331)
	5,269,684	**3,400,073**

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas.

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

2010	**Balance 1 July 2009**	**Exploration Capitalised**	**Government Grant Funding**	**Exploration Impairment**	**Balance 30 June 2010**
South Australia	3,205,183	3,310,672	(1,251,216)	-	5,264,639
Northern Territory	-	5,045	-	-	5,045
Victoria (1)	194,890	81,878	-	(276,768)	-
Western Australia(2)	-	14,355	-	(14,355)	-
TOTAL	**3,400,073**	**3,411,950**	**(1,251,216)**	**(291,123)**	**5,269,684**

2009	**Balance 1 July 2008**	**Exploration Capitalised**	**Government Grant Funding**	**Exploration Impairment**	**Balance 30 June 2009**
South Australia	1,410,236	3,309,107	(1,514,160)	-	3,205,183
Northern Territory	-	-	-	-	-
Victoria	121,896	72,994	-	-	194,890
Cornwall, UK(2)	20,331	-	-	(20,331)	-
TOTAL	**1,552,463**	**3,382,101**	**(1,514,160)**	**(20,331)**	**3,400,073**

1. An impairment loss of $276,768 was recognised to eliminate the carrying value of the Victorian tenements due to lack of positive results and the increasing likelihood of the Company withdrawing from this project when the tenements become due for renewal.
2. Expenditure incurred relating to tenements investigated during the year that were not pursued, were written off.

		2010	2009
		$	$
11. TRADE AND OTHER PAYABLES			
CURRENT			
Trade payables	(i)	513,710	533,167
Accruals		107,895	583,129
Payroll payables		9,269	-
Total trade and other payables		**630,874**	**1,116,296**

(i) Terms and conditions: Trade creditors are non-interest bearing and are normally settled on 45 day terms.

12. PROVISIONS

	2010	2009
Employees Annual Leave Entitlements	16,260	30,882

13. ISSUED CAPITAL

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

	2010	2009
63,662,842 (2009: 55,887,964) fully paid ordinary shares	10,492,024	8,543,943

(a) Ordinary Shares

	$	No. of Shares
At 30 June 2008	**6,318,617**	**50,304,756**
AGL share placement at $0.40, 9 July 2008	2,225,326	5,583,208
At 30 June 2009	**8,543,943**	**55,887,964**
Exercise of options at $0.20	20,000	100,000
Exercise of options relating to share based payments	9,360	-
Exercise of options at $0.25	1,724,543	6,898,168
AGL share placement at $0.25, 16 April 2010	194,178	776,710
At 30 June 2010	**10,492,024**	**63,662,842**

Fully paid ordinary shares carry one vote per share and carry a right to dividends.

(b) Options:

The unissued ordinary shares of Torrens Energy Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	No. of options
24/11/2008	30/06/2011	$0.44	480,000
24/11/2008	30/06/2011	$0.66	635,000
24/11/2008	30/06/2011	$0.99	790,000
13/04/2010	24/02/2013	$0.40	1,000,000
TOTAL			**5,005,000**

(i) Options over unissued ordinary shares of Torrens Energy Limited were issued to BGF Equities Pty Ltd.

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.

	2010 $	2009 $
14. RESERVES		
Reserves at the beginning of the financial year	250,532	214,688
Share based payment – employee benefit	-	35,844
Share based payment – options exercised transferred to issued capital	(9,360)	-
Share based payment – consultant engagement	117,891	-
Reserves at the end of the financial year	**359,063**	**250,532**

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

Accumulated Losses

Accumulated losses at the beginning of the financial year	783,908	179,727
Net loss attributable to members of the Company	1,102,341	604,181
Accumulated losses at the end of the financial year	**1,886,249**	**783,908**

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15. CASH FLOW INFORMATION

Reconciliation of Cash Flow from Operations with Profit after Income Tax

Loss after tax	(1,102,341)	(604,181)
Adjustments for:		
Depreciation	24,468	23,955
Share options expense	117,891	35,844
Bank Guarantee	-	12,100
Sale of Property, Plant & Equipment	-	743

	2010 $	2009 $
Changes in assets and liabilities:		
Increase / (decrease) in trade and other receivables	(657,028)	41,947
Increase / (decrease) in trade and other payables	(485,423)	(42,960)
Increase / (decrease) in provisions	(14,622)	-
Increase / (decrease) in prepayments	47,151	-
Decrease in exploration & evaluation expenditure	(1,869,611)	(895,672)
Cash flow from Operations	**(3,939,515)**	(1,428,224)

16. 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 $9,565,000 (2009: $3,924,767) over the next 12 months, as per the work programmes submitted over the Company's exploration licences.

Of the minimum commitments $9,000,000 relates to two projects, in which the company is currently in negotiations with third party funding partners to develop them. In the event that the funding is not finalised, the company plans to relinquish one of the tenements and with the other project seek deferral on expenditure commitments from PIRSA to allow the company to secure additional funds.

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

(b) Operating Lease Commitments

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

	2010	2009
Lease with respect to Adelaide office premises:		
a) not later than one year	23,690	23,000
b) later than one year but not later than four years	24,401	48,091

The property lease is a non-cancellable lease with a four year term until 29 July 2012, with rent payable monthly in advance.

	2010	2009
	$	$
Lease with respect to Perth office premises:		
a) not later than one year	54,911	-
b) later than one year but not later than four years	28,279	-

The property lease is a non-cancellable lease with a 2 year term until 14 January 2012, with rent payable monthly in advance.

17. 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

	2010	2009
Net loss used in calculating basic and diluted loss per share	(1,102,341)	(604,181)

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

	2010	2009
Weighted average number of ordinary shares used in calculating basic loss and diluted loss per share	57,658,388	55,765,592

Effect of dilutive securities:

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

18. AUDITOR'S REMUNERATION

	2010	2009
Remuneration of the auditor for :		
- auditing or reviewing the financial report		
PKF	19,564	27,781
Deloitte	7,329	-
- auditing government grants		
PKF	3,077	3,151
- tax services		
PKF	1,400	-
Balance at the end of period	**31,370**	**30,932**

19. DIRECTORS AND KEY MANAGEMENT PERSONNEL DISCLOSURES

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

Name	Position
Dennis Gee	Non-Executive Chairman
John Canaris	Managing Director
David Eiszele	Non-Executive Director
Howard Mclaughlin	Non-Executive Director (appointed 1 September 2009)
Marcus Gracey	Non-Executive Director (resigned 31 July 2010)
Jerome Randabel	Exploration Manager (appointed November 2009)
Chris Matthews	Chief Geologist (resigned 30 April 2010)
Bruce Godsmark	Exploration Manager (resigned 4 January 2010)
Robert Hodby	Company Secretary (appointed 23 November 2009)
Jade Styants	Company Secretary (resigned 30 November 2009)

(b) Key management personnel compensation

The aggregate compensation made to key management personnel of the Company is set out below:

	2010 $	2009 $
Short term employee benefits	766,056	661,442
Post employment benefits	36,257	33,800
Share based payments	-	22,369
	802,313	**717,661**

The compensation of each member of the key management personnel of the Company is set out on page 15.

(c) Options and Rights Holdings

Number of Options Held by Key Management Personnel

	Balance at 1 July 2009	*Granted as Compensation*	*Options Exercised*	*Net Change Other (1)*	*Balance at 30 June 2010*	*Vested at 30 June*	*Vested and exercisable*	*Options vested during year*
Non Executive								
Dennis Gee	740,000	-	(200,000)	(150,000)	390,000	390,000	390,000	390,000
David Eiszele	730,000	-	-	(340,000)	390,000	390,000	390,000	390,000
Howard Mclaughlin	-	-	-	-	-	-	-	-
Marcus Gracey	942,500	-	(50,000)	(502,500)	390,000	390,000	390,000	390,000
Key Executives								
John Canaris	546,250	-	(12,500)	(143,750)	390,000	390,000	390,000	390,000
Jerome Randabel	-	-	-	-	-	-	-	-
Bruce Godsmark	1,050,000	-	-	(1,050,000)	-	-	-	-
Chris Matthews	1,050,000	-	-	(1,050,000)	-			
Robert Hodby	-	-	-	-	-	-	-	-
Jade Styants	195,000	-	-	-	195,000	195,000	195,000	195,000
Total	5,253,750	-	(262,500)	(3,236,250)	1,755,000	1,755,000	1,755,000	1,755,000

All options held by Key Management Personnel at 30 June 2010 have vested and are exercisable.

(1) Options expired unexercised.

	Balance at 1 July 2008	*Granted as Compensation*	*Options Exercised*	*Net Change Other*	*Balance at 30 June 2009*	*Vested at 30 June*	*Vested and exercisable*	*Options vested during year*
Non Executive								
Dennis Gee	350,000	390,000	-	-	740,000	350,000	350,000	-
David Eiszele	340,000	390,000	-	-	730,000	340,000	340,000	-
Howard Mclaughlin	-	-	-	-	-	-	-	-
Marcus Gracey	552,500	390,000	-	-	942,500	552,500	552,500	-
Key Executives								
John Canaris	156,250	390,000	-	-	546,250	156,250	156,250	-
Bruce Godsmark	1,050,000	-	-	-	1,050,000	1,050,000	1,050,000	1,050,000
Chris Matthews	-	1,050,000	-	-	1,050,000	1,050,000	1,050,000	1,050,000
Jade Styants	-	195,000	-	-	195,000	-	-	-
Total	2,448,750	2,805,000	-	-	5,253,750	3,498,750	3,498,750	2,100,000

(f) Shareholdings

Number of Shares held by Key Management Personnel during the year ended 30 June 2010

	Balance at 1 July 2009	*Purchases/ Sales*	*Exercised Options*	*Net Change*	*Balance at 30 June 2010*
Non Executive					
Dennis Gee	100,000	-	200,000	-	300,000
David Eiszele	50,000	80,000	-	-	130,000
Howard Mclaughlin	-	-	-	-	-
Marcus Gracey	115,000	-	12,500	-	127,500
Specified Executives				-	
John Canaris	3,112,500	-	37,500	-	3,150,000
Jerome Randabel	-	-	-	-	-
Bruce Godsmark	-	-	-	-	-
Chris Matthews	1,233,333	-	-	(1,233,333)	-
Robert Hodby	-	-	-		-
Jade Styants	258,334	(258,334)	-	-	-
Total	4,869,167	(178,334)	250,000	(1,233,333)	3,707,500

Number of Shares held by Key Management Personnel during the year ended 30 June 2009

	Balance at 1 July 2008	*Purchases/ Sales*	*Exercised Options*	*Net Change*	*Balance at 30 June 2009*
Non Executive					
Dennis Gee	100,000	-	-	-	100,000
David Eiszele	50,000	-	-	-	50,000
Marcus Gracey	115,000	-	-	-	115,000
Specified Executives					
John Canaris	3,112,500	-	-	-	3,112,500
Bruce Godsmark	-		-	-	-
Chris Matthews	2,466,666	(1,233,333)	-	-	1,233,333
Jade Styants	258,334	-	-	-	258,334
Total	6,102,500	(1,233,333)	-	-	4,869,167

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

20. 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 $220,000 (2009: $184,517) in respect to the provision of executive management activities of Mr Canaris.

Geeology Pty Ltd, an entity associated with Dr Gee was paid an amount of $40,000 (2009: nil) in respect to the provision of consultancy services of Dr Gee, with this amount being included in specified executives' remuneration.

Millennium Falcon Pty Ltd, an entity associated with Mr Gracey was paid and amount of $35,000 (2009: $35,000) in respect to the provision of Non Executive duties of Mr Gracey.

21. SEGMENT INFORMATION

At the date of this report, the Company operated in one segment. The Company's operations are focused on geothermal exploration in Australia.

22. 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 fair values.

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

	30 June 2010		30 June 2009	
	Carrying amount	**Fair Value**	**Carrying amount**	**Fair Value**
Cash and cash equivalents	3,323,213	3,323,213	5,361,474	5,361,474
Trade and other receivables	802,391	802,391	84,523	84,523
Other financial assets	141,741	141,741	172,940	172,940
Trade and other payables	(630,874)	(630,874)	(1,116,296)	(1,116,296)
	3,636,471	3,636,471	4,502,641	4,502,641

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 4.5% (2009: 0% to 8.1%), 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 ($)	
	2010	**2009**
Variable rate financial assets	3,323,213	5,361,474

A change of 1% in the variable interest rates at the reporting date would have increased/decreased profit and loss and equity by the amounts shown below. The analysis that all other variables remain constant. This analysis is performed on the same basis for 2009.

	2010	2009
	$	**$**
1% increase	33,232	53,615
1% decrease	(33,232)	(53,615)

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
2010	**$**	**$**	**$**	**$**	**$**	**$**
Trade and other payables	(630,874)	(630,874)	(630,874)	-	-	-
2009						
Trade and other payables	(1,116,296)	(1,116,296)	(1,116,296)	-	-	-

Credit risk

The maximum exposure to credit risk on financial assets of the Company which has been recognised on the statement of financial position 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 statement of financial position date there were no significant credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

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

	Carrying Amount	
Financial Assets	**2010**	**2009**
	$	**$**
Cash	3,323,213	5,361,474
Trade and other receivables	802,391	84,523
Other financial assets	141,741	172,940
	4,267,345	5,618,937

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	
	2010	**2009**
	$	**$**
Australia	802,391	84,523

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

Australian Taxation Office	90,992	84,523
South Australian Government	709,691	-
ASX Listed Entities	1,708	-
	802,391	84,523

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

	2010 $	2009 $
Not past due	802,391	84,523
Past due 0-30 days	-	-
Past due 31-120 days	-	-
	802,391	84,523

Trade and other receivables of $802,391 has been received by the Company at the date of this report.

There 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 Group's overall strategy remains unchanged from 2009.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax, dividends and general administrative outgoings.

Gearing levels are reviewed by the Board on a regular basis in line with its target gearing ratio, the cost of capital and the risks associated with each class of capital.

23. **CONTINGENT LIABILITIES**

Bank Guarantees have been put in place by the Company detailed in Note 8 as a condition to South Australian tenements held, for environmental work required. These will remain in place for the term of the tenements rights and are subject to environmental clearances subject to PISRA's satisfaction.

The Board is not aware of any other circumstances or information which leads them to believe there are any material contingent liabilities outstanding as at 30 June 2010.

24. **SHARE BASED PAYMENTS**

On the 13 April 2010 the company issued 1,000,000 options to acquire ordinary shares in the Company at an exercise price of $0.40 on or before the 28 January 2013. There options have all been vested to the recipient and are not quoted on the ASX. Using the Black Scholes model, these options are valued at $117,891.

The following share-based payment arrangements existed at 30 June 2009 (all these options have been vested):

On 9 July 2008 30,000, 50,000 and 70,000 share options were granted to employees (150,000 total issued options) 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 2011 and are not quoted on the ASX. Using the Black Scholes model, these options are valued at $13,475.

On 24 November 2008 100,000, 130,000 and 160,000 share options were each granted to Dr Dennis Gee, Mr John Canaris, Mr David Eiszele and Mr Marcus Gracey (1,560,000 total issued options) 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 2011 and are not quoted on the ASX. Using the Black Scholes model, these options are valued at $19,003. On 24 November 2008 50,000, 65,000 and 80,000 share options were granted to the Company Secretary Ms Jade Styants (195,000 total issued options) 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 2011 and are not quoted on the ASX. Using the Black Scholes model, these options are valued at $2,376.

On 27 January 2009 300,000, 350,000 and 400,000 share options were granted to Mr Chris Matthews (1,050,000 total issued options) 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 10 March 2011 and are not quoted on the ASX. Using the Black Scholes model, these options are valued at $990.

The expense recognised in the profit or loss component of the statement of comprehensive income in relation to share-based payments is disclosed in note 3 to the Statement of Comprehensive Income.

The following share-based payment arrangements were in place during the current and prior periods:

	2010		2009	
	Number of Options	WAEP	Number of Options	WAEP
Outstanding at the beginning of the year	4,785,000	-	1,830,000	-
Granted	1,000,000	$0.40	2,955,000	$0.51
Forfeited	(680,000)	$1.09	-	-
Exercised	(100,000)	$0.20	-	-
Outstanding at year-end	5,050,000	$0.51	4,785,000	$0.51
Exercisable at year-end	5,005,000	$0.51	4,785,000	$0.51

The weighted average fair value of the share options granted during the financial year is $0.40 (2009: $0.73).

The fair value of the options granted during the year was calculated using the Black Scholes option pricing model applying the following inputs :

1,000,000 options granted 13 April 2010:

Weighted average exercise price	$0.40
Weighted average life of option	3 years
Underlying share price	$0.250
Expected share price volatility	80%
Risk free interest rate	4.49%

150,000 options granted 9 July 2008:

Weighted average exercise price	$0.77
Weighted average life of option	2 years
Underlying share price	$0.4150
Expected share price volatility	65%
Risk free interest rate	3.38%

1,560,000 options granted 24 November 2008:

Weighted average exercise price	$0.74
Weighted average life of option	2.6 years
Underlying share price	$0.14
Expected share price volatility	65%
Risk free interest rate	3.38%

195,000 options granted 24 November 2008:

Weighted average exercise price	$0.74
Weighted average life of option	2.6 years
Underlying share price	$0.14
Expected share price volatility	65%
Risk free interest rate	3.38%

1,050,000 options granted 27 January 2009:

Weighted average exercise price	$0.72
Weighted average life of option	2.1 years
Underlying share price	$0.145
Expected share price volatility	30%
Risk free interest rate	4.97%

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 profit or loss component of the statement of comprehensive income for 2009 is $35,844, and relates, in full, to employee equity-settled share based payment transactions. There were no options included under employee benefits in 2010.

Share options exercised during the year:

Option Series	Number Exercised	Exercise Date	Share price at exercise date
Issued 15 December 2008	100,000	1 March 2010	$0.24

There were no options exercised in 2009.

25. EVENTS AFTER STATEMENT OF FINANCIAL POSTITION 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 the resignation of Mr Marcus Gracey as a Non-Executive Director on 31 July 2010.

26. **RETIREMENT BENEFIT OBLIGATIONS**

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 or termination of employment of each employee.

DIRECTORS DECLARATION

The Directors of Torrens Energy Limited declare that:

(a) In the directors' opinion the financial statements and notes and the Remuneration Report in the Directors Report set out on pages 12 to 18 and 24 to 57 are in accordance with the *Corporations Act 2001,* including:

a. comply with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001; and

b. give a true and fair view of the company's financial position as at 30 June 2010 and of its performance, for the year ended on that date;

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

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by Section 295A of the Corporations Act 2001 by the executive officer and chief financial officer for the financial year ended 30 June 2010.

Signed in accordance with a resolution of the directors.

Dennis Gee
Chairman
Perth, 30 September 2010

Deloitte.

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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, which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company as set out on pages 24 to 58.

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 control 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 the Australian Accounting 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. Those 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 of the financial report that gives a true and fair view, 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.

Auditor's Independence Declaration

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

Deloitte.

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 Company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

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

(b) the company's financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 18 of the director's report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Torrens Energy Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Acts 2001.*

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Nicoloff

Chris Nicoloff
Partner
Chartered Accountants
Perth, 30 September 2010

a) Distribution of Ordinary Shareholders (as at 23 September 2010)

	Number of Ordinary Shareholders	Number of Shares
1 - 1,000	88	64,665
1,001 - 5,000	445	1,327,769
5,001 - 10,000	279	2,339,353
10,001 - 100,000	543	19,812,944
100,001 - and over	89	40,118,111
TOTAL	1,444	63,662,842

b) Top Twenty Ordinary Shareholders (as at 23 September 2010)

Name	Number of Ordinary Shares held	%
AGL ENERGY LIMITED	6,359,918	9.99
LEFROY RESOURCES LIMITED	3,425,000	5.38
MR JOHN PANO CANARIS	3,112,500	4.89
DECK CHAIR HOLDINGS PTY LTD	3,000,000	4.71
MAHSOR HOLDINGS PTY LTD <ROSHAM FAMILY SUPER A/C>	1,350,000	2.12
MR GEOFFREY KEVIN CAMMELL <CAMMELL DISCRETIONARY A/C>	1,310,650	2.06
MR CHRISTOPHER MATTHEWS	1,089,196	1.71
MR ROBERT SLADE FORBES	1,050,000	1.65
MR MURRAY JOHN JACOB + MRS SARA CAROLINE JACOB <AQUATICA SUPERFUND	850,000	1.34
MR PHILIP ARTHUR ROGERSON + MRS KATHRYN GAE ROGERSON	813,740	1.28
CUCKFIELD PTY LTD <JAGGER STAFF SUPER FUND A/C>	700,950	1.10
TESTON INVESTMENTS PTY LTD <DON MARTIN SUPER FUND A/C>	620,000	0.97
TERASSE (WA) PTY LTD <THE BEACH VIEW A/C>	604,167	0.95
MRS SARA JACOB	511,000	0.80
CUCKFIELD PTY LTD <VIVIENNE JAGGER S/F A/C>	500,000	0.79
MR ALAN WILLIAM GERRIE	500,000	0.79
MR HANS MARTIN LANG	500,000	0.79
MR ROBIN JAGGER	476,000	0.75
VISION ASSET MANAGEMENT LIMITED	470,000	0.74
MR JOHN WILLIAM SCHANK	400,000	0.63
Total Top 20 Shareholders	**27,643,121**	**43.42**
Other Shareholders	**36,019,721**	**56.58**
Total ordinary shares on issue	**63,662,842**	**100.00**

c) Non marketable parcels (as at 23 September 2010)

The number of shareholders holding less than a marketable parcel of shares is 554, totalling 1,505,524 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 2010)

The Company has no restricted securities.

g) Substantial Shareholders (as at 23 September 2010)

Name	Number of Ordinary Shares held	%
AGL Energy Limited	6,359,918	9.99%
Lefroy Resources Limited	3,425,000	5.38%
John Canaris	3,112,500	4.89%

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) Options on issue (as at 23 September 2010)

Options	Unlisted	Escrowed	Listed	Total	No Holder
Exercisable $0.44, expiring 10/03/11	600,000	-	-	600,000	2
Exercisable $0.44, expiring 30/06/11	480,000			480,000	6
Exercisable $0.66, expiring 10/03/11	700,000	-	-	700,000	2
Exercisable $0.66, expiring 30/06/11	635,000			635,000	6
Exercisable $0.99, expiring 10/03/11	800,000	-	-	800,000	2
Exercisable $0.99, expiring 30/06/11	790,000			790,000	6
Exercisable $0.4, expiring 24/02/13	1,000,000	-	-	1,000,000	1
TOTAL	**5,005,000**	**-**	**-**	**5,005,000**	**9**

k) Schedule of Interests in Mining Tenement:

Location/Project Name	Tenement	Percentage Held
SOUTH AUSTRALIA		
Adelaide	GEL 226	100%
Barossa-Clare	GEL 227	100%
Torrens	GEL 230	100%
Torrens	GEL 278	100%
Torrens	GEL 285	100%
Adelaide	GEL 293	100%
Torrens	GEL 407	100%
Port Pirie	GEL 425	100%
Port Augusta	GEL 501	100%
Mulgaria	GEL 559	100%
Adelaide	GELA 266	100%
Adelaide	GELA 286	100%
Torrens	GELA 292	100%
Yarley Area	EL 4298	100%
Port Pirie	AEL 152	100%
VICTORIA		
Melbourne	GEP 5	100%
NORTHER TERRITORY		
Northern Territory	GEP27824	100%