
QUARTERLY ACTIVITIES REPORT

SEPTEMBER 2007

HIGHLIGHTS

- Torrens Energy has secured \$3m in grant funding under Renewable Energy Development Initiative (REDI) to match the Company's \$3m commitment to a \$6m hot rock exploration programme
- Drilling commenced in October at the Torrens Project Area north of Port Augusta, South Australia. Land permitting has been completed
- Federal Government Initiative to fund geophysical surveys worth over \$400,000 across the Company's Torrens Project GEL package
- Torrens Energy well positioned to take advantage of Federal Government funded "Geothermal for Cities" Project
- Board reconfigured, with new arrivals bringing key skills required to better service the Company's mantra of hot rock power close to infrastructure

Summary

The September quarter was a landmark period for Torrens Energy. The Company completed preparations for its exciting first drilling programme in the highly prospective Torrens Project Area in South Australia, and reconfigured its board to include a wealth of experience in key areas to complement the skills of the existing board members.

The Company was given a great boost in the quarter with two separate allocations of financial support from the Australian Government. The first was the awarding of \$3 million in REDI grant funding to support the Company's innovative hot rock exploration programme, with the second being the announcement of baseline geoscientific data collection across one of the Company's key project areas.

The REDI grant funding will be used to accelerate exploration drilling, seismic data collection and modelling of temperature in 3D for hot rock exploration and resource definition.

All aspects of permitting and land access are completed, and the Company looks forward to the coming months and a new stage of geothermal exploration in Australia as the hunt for hot rocks moves to the heart of infrastructure.

GOVERNMENT FUNDING INITIATIVES

REDI Grant - \$3 million Awarded

Torrens Energy is delighted to have received the offer of \$3 million in grant funding, under the Australian Federal Government's Renewable Energy Development Initiative (REDI) Scheme, a forward-thinking assistance package designed to back innovative technologies and methodologies relating to renewable energy development in Australia. The grant funding will be backed by the Company's existing cash reserves of approximately \$5.7 million for the ongoing search for commercial energy production from Torrens Energy's South Australia hot rock projects (ASX announcement 27th August, 2007).



Torrens Energy Chief Executive Chris Matthews explains the Company's innovative hot rock exploration strategy to the Australian Government Finance Minister Nick Minchin at the public announcement of the award of \$3 million on 27 August 2007.

Funds will be used to accelerate drilling, seismic data collection and temperature modelling, reducing the technical risk associated with generating deep drill targets for thermal energy production. The modelling will allow Torrens Energy to better define where the hottest rocks are likely to coincide with the best geology for circulating water underground.

Although the South Australia Heat Flow Anomaly has long been recognised (Fig 1), Torrens Energy is the first company to recognise the geothermal potential of the Torrens Hinge Zone and Adelaide Geosyncline. This has brought the search for Hot Rocks to the Port Augusta and Adelaide Regions, supported by infrastructure and markets.

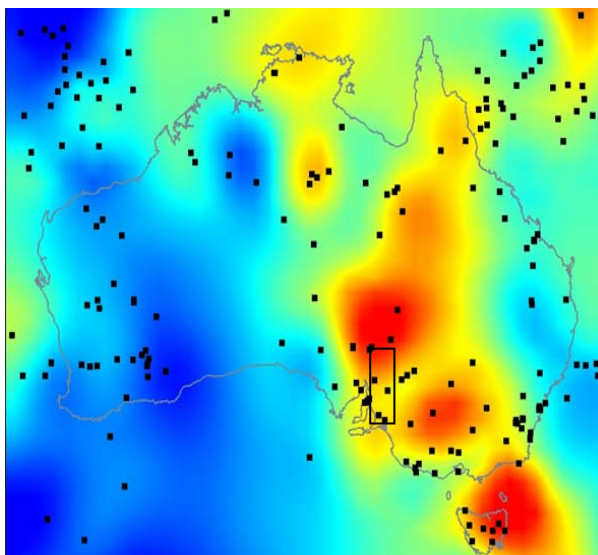


Fig 1. The Australian heat flow map.

The yellow and red areas show heat flow anomalies, and Torrens Energy's South Australian Projects in the anomaly are shown in the rectangle.

Proximity to power infrastructure has been identified as one of the most significant economic challenges in the race to extract heat energy from the ground. Torrens Energy, through strategically acquired exploration licences and innovative exploration methodologies, is addressing this challenge with its strategically located exploration licence portfolio.

Onshore Energy Security Programme and Geothermal for Cities

Torrens Energy will directly benefit from the Federal Government's planned \$59 million Onshore Energy Security Programme (OESP), outlined at the industry's 3rd Annual Hot Rock Energy Conference in August 2007.

The Federal Government has recognised that the principal problem facing the industry is proximity to infrastructure, and that "remoteness of [known] hot rock resources increases the costs of transmission". It also acknowledges a "paucity of appropriate geothermal data" in key greenfields areas around markets and infrastructure.

As part of the five year OESP programme, seismic data will be acquired across the Company's Torrens Project Area (Fig 2), a task which the Company had included in its initial two-year work programme (TEY Prospectus, March 2007).

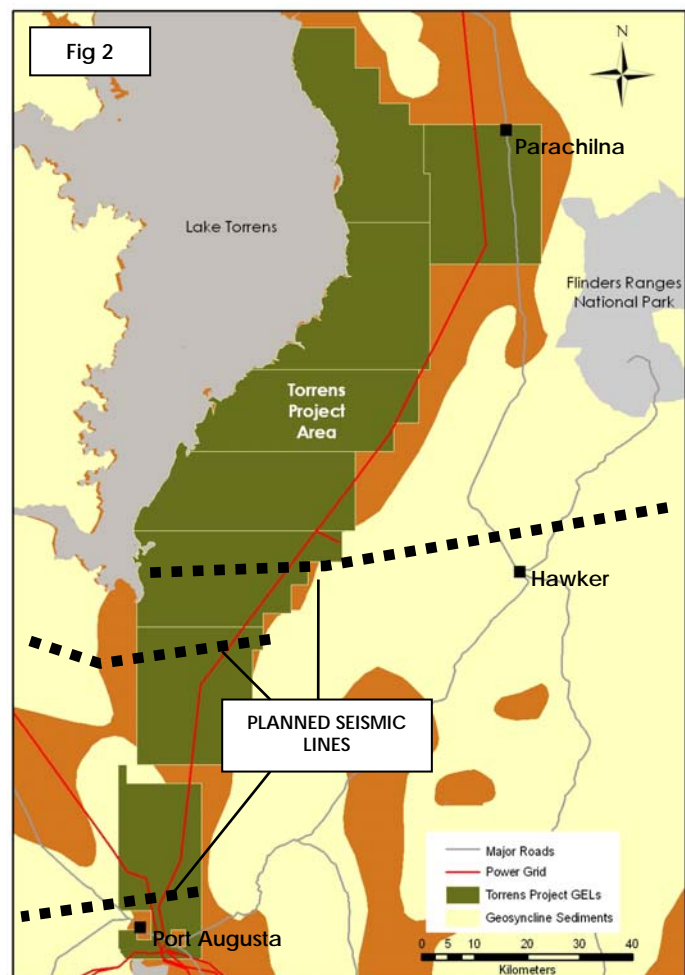
Geothermal for Cities is another Geoscience Australia programme that will benefit Torrens Energy. It will address the question "Are there resources of naturally heated water available near major population centres?"

Torrens Energy has secured geothermal licences adjacent to both Adelaide and Melbourne.

Torrens Energy is perfectly placed to benefit from the Geothermal for Cities programme by way of synergies with its aims of exploring in the heart of infrastructure for both hot rock power and applications such as power-plant preheating and geothermal desalination.

Should hot rock resources be found along existing National Electricity Market infrastructure, it is the belief of Torrens Energy that those areas should rightly take the highest priority as hot rock geothermal is developed in Australia.

Chief Executive Chris Matthews commented: "Our mantra of identifying geothermal resources



close to infrastructure and markets is now being echoed by Australian Government philosophy and supported by Australian Government funding – this is a great outcome for the Company”.

EXPLORATION

Drilling Contractor secured, drilling scheduled to commence

Torrens Energy has secured a drilling contract with Underdale Drillers. Initial drilling will be focussed on the Company’s Torrens Project Area. This drilling activity will form the first stage of the Company’s detailed heat flow drilling programme which is targeting hot rocks in the heart of infrastructure.



All permitting work including Aboriginal heritage clearance has been completed and drilling is scheduled to begin before the end of October (ASX announcement 9 August, 2007).

Exploration drillholes will cover the northern section of the Torrens Project Area for approximately 2,000km² (Fig 2). The drilling will provide the Company with a better understanding of heat flow at the Project Area, and allow 3D geology to be mapped in the region. The programme will be 50% funded by the REDI Grant.

Geological Mapping in Barossa-Clare Project

Geological mapping was undertaken in the Barossa-Clare Project Area during the quarter. The area had previously been mapped on a broad scale by government geologists over 40 years ago, and new mapping was undertaken to accurately locate exploration drilling scheduled for 2007.

The mapping completed however, has not allow the Company to accurately define drillhole locations, and so the Project will be rescheduled for further work after other more highly prospective GELs in the Company’s portfolio have been tested. With drilling postponed Torrens Energy will be foregoing the PACE Grant of \$100,000 which is only available until December 2007.

Victoria – Melbourne Project

Torrens Energy is preparing to begin work on assessing the detailed hot rock potential of its GEP 5 Melbourne Project in Victoria. The area has excellent potential for insulating cover and geological modelling suggests that there will be high heat flow from basement rocks.

During the middle of 2007 the Company sponsored research at Monash University to map heat flow from existing drillholes in a profile across the geological region known as the Melbourne Zone, which contains Torrens Energy's Melbourne Project.

Heat flow results show that the average heat flow across the zone is 82mW/m², with a maximum value of 95mW/m². This heat flow is well above the global average, confirming the prospectivity of the Melbourne Project. On-ground works are expected to commence in the first quarter of next year on this exciting project.

CORPORATE

Board Reconfigured

Torrens Energy is pleased to welcome Mr David Eiszele and Mr Marcus Gracey to the Board as Non-Executive Directors. The Board and management team at Torrens Energy are personally committed to the exploration and development of geothermal resources in Australia and overseas, through efficient and cost effective acquisitions and exploration. The Company's mantra of proximity to power infrastructure will be better serviced by the newly configured Board, and through a clear understanding of power infrastructure and strong technical management will be better placed to roll out a successful exploration programme across its land holdings in the near future.

These changes to the Board come at a time when the Company is looking to support and bring forward opportunities identified in hot rock exploration for renewable, sustainable base-load power generation, hybrid pre-heating of existing power stations and potential for geothermal desalination.

Financial Position

At the end of the quarter the Company had a cash balance of \$5.7 million.

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