



HALF YEAR FINANCIAL REPORT

31 DECEMBER 2008

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CORPORATE DIRECTORY

Directors	Dennis Gee (Non-Executive Chairman) John Canaris (Executive Director) David Eiszele (Non-Executive Director) Marcus Gracey (Non-Executive Director)
Exploration Manager	Bruce Godsmark
Company Secretary	Jade Styants
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Regional 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	PKF Chartered Accountants Level 7, BGC Centre 28 The Esplanade Perth WA 6000
Solicitors	Steinepreis Paganin Level 4, 16 Milligan Street Perth WA 6000

DIRECTORS REPORT

Your Directors present their report on the Company for the financial half year ended 31 December 2008.

DIRECTORS

The names and details of the Directors of the Company in office during the half year are set out below.

Dennis Gee	-	Non-Executive Chairman
John Canaris	-	Executive Director
David Eiszele	-	Non-Executive Director
Marcus Gracey	-	Non-Executive Director

Directors have been in office for the entire period unless otherwise stated.

REVIEW OF OPERATIONS

The competitive advantage of Torrens Energy continues to lie in its unique combination of innovative exploration methodology (the 3D-TFM), prospective geological settings, and the proximity of its geothermal exploration licenses (GELs) to the National Power Grid and supporting infrastructure.

The effect of the exploration completed since listing in 2007 has been to fundamentally change the prospectivity landscape for "hot rock" geothermal in Australia, placing high predicted temperatures further south than previously considered, and within reach of the National Power Grid. In addition, during the first half of 2008, Torrens Energy delivered the world's first "code-compliant" Inferred Geothermal Resource, the "Parachilna Inferred Resource", north of Port Augusta in South Australia.

Following from this and with the Company's exploration efforts gaining momentum, Torrens Energy appointed a new Exploration Manager, Bruce Godsmark, to its Adelaide exploration office. This allowed former CEO Chris Matthews, to move to a specialised role as Chief Geologist. The executive role function was then filled by the appointment of Mr John Canaris, who have moved from non-executive to Executive Director.

The second half of 2008 was a rewarding end to an important exploration year for Torrens Energy, the Company having established itself on outstanding exploration results, and attracted a strategic power development partner through AGL Energy Limited. During the period Torrens Energy sharpened its focus, as an "upstream" geothermal resource explorer, with the strengthening of its exploration and corporate management team. In addition Torrens Energy commenced shared drilling at two highly prospective locations in SA, and began preparations for the 2009 exploration season.

2009 has had an equally exciting start, with the acquisition of four additional GELs at Port Pirie in South Australia, consolidating the southern portion of the highly prospective Torrens Hinge Zone (THZ) and increasing the Company's total landholding to 11,542 km². Torrens Energy also completed seismic data acquisition at the Parachilna Project, aimed at providing essential geo-scientific information at the Parachilna 'hot spot'. At the

DIRECTORS REPORT

same time Government seismic data was collected over Torrens Energy's ground, north of the town of Port Augusta, which will be made publically available in 2009.

In 2009 Torrens Energy also announced the results from heat flow drilling completed in late 2008; results calculated from two diamond drill holes (Raitaro 1 and TKHD1A) recorded 75 and 96mW/m², at the Adelaide Plains and Port Augusta Projects respectively. The Port Augusta result is highly significant, and above the Company's target of 90mW/m². Modelled temperature estimates from this hole are approximately 200°C at 4600m depth, well above the temperatures required for geothermal power production. In addition TKHD1A is located 6 kilometres from the National Power Grid and 53 kilometres from the town of Port Augusta, highlighting the potential for the Company to establish a new "geothermal field" in this key location.

By early February 2009 Torrens Energy announced that it had commenced heat flow drilling, marking the start of the Company's 2009 drilling programme in South Australia. Planned exploration will initially test the Adelaide Plains Project, and then move (north) to the Port Augusta Project. Activity is fully funded, and supported by a \$3m Matched Grant under the Australian Government's Renewable Energy Development Initiative (REDI). The exploration heat flow drilling programme is expected to run through to April 2009, with results returned after holes have had time equilibrate.

Whilst the exploration results reported to date and the time frame in which they were delivered speak for themselves, it is important to point out the broader significance of what Torrens Energy has achieved; since 2007 the Company has established itself as an Australian geothermal industry leader, by way of its large strategic land position, fast moving exploration efforts and technical leadership. If one considers that a major obstacle facing geothermal development in Australia is the cost of the supporting power infrastructure, then the geothermal exploration being undertaken by Torrens Energy on the National Power Grid is some of the most important work being done in Australia.

AUDITORS INDEPENDENCE DECLARATION

The auditor's independence declaration for the half year ended 31 December 2008 has been received and is set out on page 6.

Signed in accordance with a resolution of the Board of Directors



John Canaris

Executive Director

Dated this day of 26 February 2009

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of Torrens Energy Limited for the half year ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Torrens Energy Limited.



PKF
Chartered Accountants



Chris Nicoloff
Partner

Dated at Perth, Western Australia this 26th day of February 2009.

CONDENSED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	Notes	31 December 2008 \$	31 December 2007 \$
Interest revenue		214,093	180,437
Other revenue		-	2,000
Employee benefits expense		(57,215)	(59,402)
Depreciation expense		(11,733)	(8,771)
Other expenses from ordinary activities		(435,317)	(177,015)
LOSS BEFORE INCOME TAX		(290,172)	(62,751)
Income tax expense		-	-
LOSS FROM CONTINUING OPERATIONS		(290,172)	(62,751)
Basic loss per share (cents per share)	7	(0.52)	(0.13)

CONDENSED BALANCE SHEET
AS AT 31 DECEMBER 2008

		31 December 2008 \$	30 June 2008 \$
	Notes		
CURRENT ASSETS			
Cash and cash equivalents		6,692,896	4,629,206
Trade and other receivables		28,698	81,407
Other financial assets		112,100	129,670
TOTAL CURRENT ASSETS		6,833,694	4,840,283
NON-CURRENT ASSETS			
Property, plant and equipment		95,460	62,903
Exploration and evaluation expenditure	6	1,521,953	1,552,463
TOTAL NON-CURRENT ASSETS		1,617,413	1,615,366
TOTAL ASSETS		8,451,107	6,455,649
CURRENT LIABILITIES			
Trade and other payables		105,159	102,070
Employee Benefits		22,361	-
TOTAL CURRENT LIABILITIES		127,520	102,070
TOTAL LIABILITIES		127,520	102,070
NET ASSETS		8,323,587	6,353,579
EQUITY			
Issued capital	5	8,543,943	6,318,617
Reserves		249,542	214,688
Retained losses		(469,898)	(179,726)
TOTAL EQUITY		8,323,587	6,353,579

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

	Share Capital Ordinary \$	Accumulated Losses \$	Option Reserve \$	Total \$
BALANCE AT 1 JULY 2008	6,318,617	(179,726)	214,688	6,353,579
Shares issued during the half year	2,225,326	-	-	2,225,326
Cost of share based payment	-	-	34,854	34,854
Loss for period	-	(290,172)	-	(290,172)
BALANCE AT 31 DECEMBER 2008	8,543,943	(469,898)	249,542	8,323,587
BALANCE AT 1 JULY 2007	6,273,678	(48,806)	131,132	6,356,004
Shares issued during the half year	-	-	59,402	59,402
Loss for period	-	(62,751)	-	(62,751)
BALANCE AT 31 DECEMBER 2007	6,273,678	(111,557)	190,534	6,352,655

CONDENSED CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	31 December 2008 \$	31 December 2007 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(317,503)	(192,905)
Interest received	218,191	206,379
Payments for exploration and evaluation	(920,647)	(155,846)
Receipts from government grants	914,713	-
NET CASH FLOWS USED BY OPERATING ACTIVITIES	(105,246)	(142,372)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(44,290)	(43,938)
Payment for security deposit	(12,100)	-
NET CASH FLOWS USED BY INVESTING ACTIVITIES	(56,390)	(43,938)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	2,225,326	-
NET CASH FLOWS RECEIVED FROM FINANCING ACTIVITIES	2,225,326	-
NET INCREASE / (DECREASE) IN CASH HELD	2,063,690	(186,310)
Cash at beginning of financial year	4,629,206	5,881,425
CASH AT END OF FINANCIAL YEAR	6,692,896	5,695,115

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The half year financial report of Torrens Energy Limited was authorised for issue in accordance with a resolution of the directors on 26 February 2009.

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

The half year financial report does not include all of the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half year financial report should be read in conjunction with the annual financial report of Torrens Energy Limited as at 30 June 2008. It is also recommended that the half year financial report be considered together with any public announcements made by Torrens Energy Limited during the half year ended 31 December 2008 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

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 half year financial report is a general purpose financial report, which has been prepared in accordance with the requirement of the Corporations Act 2001, applicable Accounting Standards, including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

For the purpose of preparing, the half year financial report has been treated as a discrete reporting period. 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.

Accounting Policies

The half year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2008

2. SEGMENT INFORMATION

The Company operates predominantly in one geographical segment, being Australian and industry being geothermal exploration.

3. CONTINGENT LIABILITIES

There have been no changes in contingent liabilities since 30 June 2008.

4. SHARE BASED PAYMENTS

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

The following share based payment arrangements existed at 31 December 2008:

On 9 July 2008, 30,000, 50,000 and 70,000 share options were granted to Employees to take up ordinary shares at an exercise price of \$0.44, \$0.66 and \$0.99 cents respectively. The options are exercisable on or before 30 June 2011 and are not quoted on the ASX. The fair value of the options granted during the year was calculated using the Black Scholes option pricing model applying the following inputs:

Weighted average exercise price	\$0.77
Weighted average life of option	3 years
Underlying share price	\$0.415
Expected share price volatility	65%
Risk Free interest rate	3.38%

On 24 November 2007, 450,000, 585,000 and 720,000 share options were granted to Directors and Employees, to take up ordinary shares at an exercise price of \$0.44, \$0.66 and \$0.99 cents respectively. The options are exercisable on or before 30 June 2011 and are not quoted on the ASX. The fair value of the options granted during the year was calculated using the Black Scholes option pricing model applying the following inputs:

Weighted average exercise price	\$0.77
Weighted average life of option	3 years
Underlying share price	\$0.14
Expected share price volatility	65%
Risk Free interest rate	3.38%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

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.

5. ISSUED CAPITAL

Ordinary Shares:

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

	31 December	30 June
	2008	2008
	\$	\$
55,887,964 (2008: 50,304,756) fully paid ordinary shares	8,543,943	6,318,617
	\$	No. Shares
At 30 June 2008	6,318,617	50,304,756
Share Placement at \$0.40, 9 July 2008 (a)	2,225,326	5,583,208
At 31 December 2008	8,543,943	55,887,964

(a) On 9 July 2008, AGL subscribed for 5,583,208 ordinary shares in the Company (9.99% equity interest in Torrens Energy) at \$0.40 per share. The subscription was made in conjunction with the signing of a Geothermal Alliance Agreement with AGL, which provides AGL with a first right of refusal to earn a 50% interest in up to three geothermal resource projects identified by Torrens Energy, by sole funding the completion of a deep confirmation well for each project.

Options:

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

Date of Expiry	Exercise Price	Options issued	Number	Balance
31/03/2010	\$0.25	27,145,244	-	27,145,244
31/03/2010	\$0.20	100,000	-	100,000
30/06/2010	\$0.70	80,000	-	80,000
30/06/2010	\$1.00	200,000	-	200,000
30/06/2010	\$1.50	400,000	-	400,000
11/03/2011	\$0.44	300,000	-	300,000
11/03/2011	\$0.66	350,000	-	350,000
11/03/2011	\$0.99	400,000	-	400,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

30/06/2011	\$0.44 (i)	480,000	-	480,000
30/06/2011	\$0.66 (i)	635,000	-	635,000
30/06/2011	\$0.99 (i)	790,000	-	790,000
TOTAL		30,880,244	-	30,880,244

(i) On 9 July 2008 150,000 options over unissued ordinary shares of Torrens Energy Limited were issued to Employees, while on 24 November 2008 1,755,000 options over unissued ordinary shares of Torrens Energy Limited were issued to Employees and Directors.

6. EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2008	30 June 2008
	\$	\$
<i>Exploration and evaluation expenditure carried forward:</i>		
Carrying amount at the beginning of the period	1,552,463	394,580
Exploration expenditure capitalised	877,956	2,066,258
REDI grant funding received	(908,466)	(908,375)
	1,521,953	1,552,463

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

31 December 2008	Exploration Capitalised	REDI Grant	Balance
South Australia	3,176,222	(1,816,841)	1,359,381
Victoria	160,514	-	160,514
Western Australia	2,058	-	2,058
TOTAL	3,338,794	(1,816,841)	1,521,953

30 June 2008	Exploration Capitalised	REDI Grant	Balance
South Australia	2,318,611	(908,375)	1,410,236
Victoria	121,896	-	121,896
Western Australia	20,331	-	20,331
TOTAL	2,460,838	(908,375)	1,552,463

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

7. LOSS PER SHARE

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

	31 December 2008	31 December 2007
	\$	\$
a) Reconciliation of earnings to profit or loss		
Net loss used in calculating basic loss per share	(290,172)	(62,751)
b) Weighted average number of ordinary shares outstanding during the half year		
Weighted average number of ordinary shares used in calculating basic loss per share	55,645,216	50,125,000

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

8. DIVIDENDS

The Company has not paid or provided for dividends during this period.

9. EVENTS SUBSEQUENT TO REPORTING DATE

In the opinion of the Directors there were no significant events occurring after the reporting date, other than the following:

- On 14 January 2009, Torrens Energy announced that they had been awarded four additional geothermal exploration licences between Port Wakefield and Port Pirie. The addition of these licences consolidates the southern portion of Torrens Hinge Zone and brings the Company's total landholding in South Australia to 11,542km².
- On 21 January 2009 the Company announced the issue of 1,050,000 options under the Employee Share Scheme to the Chief Geologist as part of his remuneration package.

DIRECTORS DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 7 to 15:
 - a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
 - b. give a true and fair view of the Company's financial position as at 31 December 2008 and of its performance for the half year ended then ended.
2. in the Directors opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors, made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Board



Dennis Gee
Chairman

Perth, 26 February 2009

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TORRENS ENERGY LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Torrens Energy Limited, which comprises the condensed balance sheet as at 31 December 2008, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year 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 half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the [company/registered scheme/disclosing entity]'s financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Torrens Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Torrens Energy Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and *Corporations Regulations 2001*.



PKF
Chartered Accountants



Chris Nicoloff
Partner

Dated at Perth, Western Australia this 26th day of February 2009