

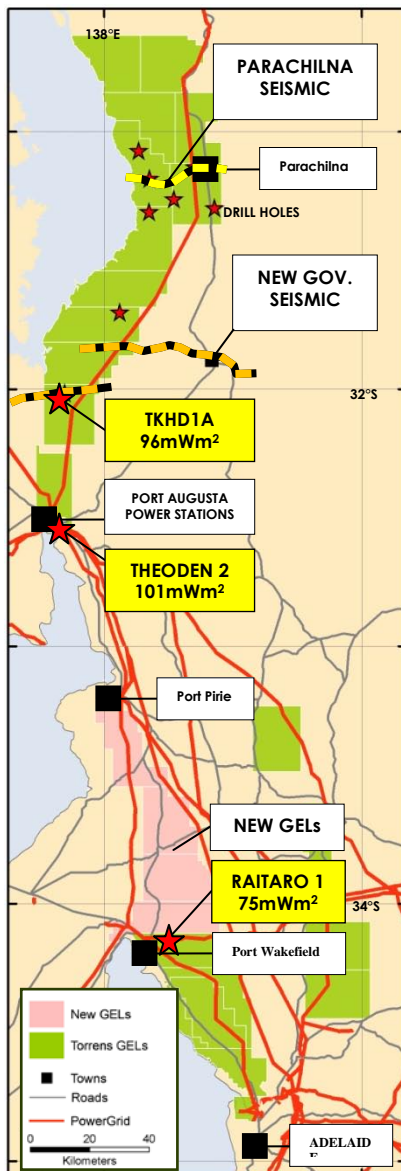
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QUARTERLY ACTIVITIES REPORT  
MARCH 2009

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HIGHLIGHTS

- Drilling Commenced, 2009 exploration programme
- Excellent modelled temperature of 200°C at 4300m depth
- Low cost, ideal electricity connection point for Northern Transmission Network
- Drilling supported by REDI (\$3m) matched funding
- Strong cash position with planned exploration fully funded



SUMMARY

The March quarter saw Torrens Energy progress its exploration efforts through the commencement of the 2009 drilling programme.

Exploration tested the Adelaide Plains and Port Augusta projects, as part of the broad scale 3D Temperature Field Modelling (3D-TFM) programme. Activity is financially supported by a matching \$3m Federal Government grant under the Renewable Energy Development Initiative (REDI).

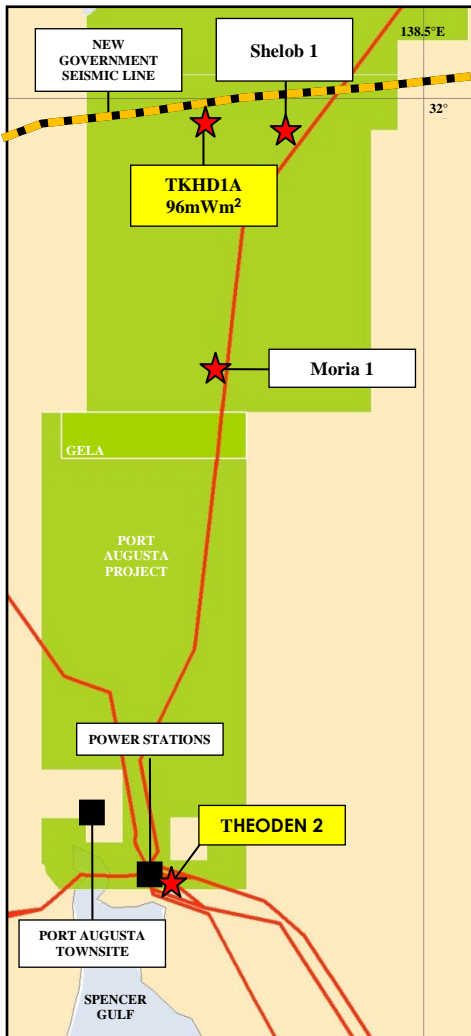
The start to the programme proved highly successful, with significant results returned from Port Augusta (ASX Announcement, 30 January 2009).

Exploration "heat flow" drilling at Port Augusta recorded excellent modelled temperatures from the Davenport Substation. Heat flows calculated from diamond drill hole Theoden 2 recorded **101mW/m<sup>2</sup>** with modelled temperature of approximately **200°C at 4300m** depth.

The result is well above the Company's target heat flow for the area and the temperature range required for geothermal power production.

Theoden 2 is located at an ideal connection point, which an independent study concluded may be connected to the National Power Grid for as little as **\$10m**.

(Left, Drill collar locations, results presented over page.)



Drill collar locations, Port Augusta Project, South Australia.



Transmission towers with Torrens Energy drilling to left, background.

## EXPLORATION

### Heat Flow Drilling Completed

A total of seven diamond drill holes have been completed this financial year with five drilled by the Company in the March quarter, for approximately 1450 metres. Results were recorded from three drill holes between January and March 2009 (below).

Drilling was completed by Watson Drilling Pty Ltd, using a combination of rotary mud and diamond core drilling, to enable temperature measurements to be taken from intervals where rock core was obtained.

Final heat flow results for measured holes are summarised below, with the methodology presented in detail in the Company's ASX Announcement dated 2 February 2009 and 14 April 2009.

Hole	Northing	Easting	Depth	GEL	mW/m <sup>2</sup>
Theoden 2	6396816	764480	372m	285	101 ± 4.1
TKHD1A	6454259	769049	1002m	235	96 ± 1.8
Raitaro 1	6219680	242403	403m	260	75 ± 7.4
Rinjin 1	6198986	254134	297m	226	Pending
Uwibami 1	6218932	265451	300m	260	Pending
Shelob 1	6453313	775655	321m	235	Pending
Moria 1	6439231	766855	162m	235	Pending

Coordinates are in the GDA 94 Datum, UTM (Zone 53, 54) projection.  
GEL = Geothermal Exploration Licence number.

The final heat flow value from Theoden 2 and TKHD1A located just 400 metres from the Davenport Substation and 50 kilometres from Port Augusta respectively, are significantly high and above the Company's stated target of 90mW/m<sup>2</sup>.

### Temperature Modelling – Industry Comparison

Temperature modelling completed by building a "thermal conductivity profile" to the target depth, shows predicted temperatures at Port Augusta range around 200°C at 4300–4600m, which meets the temperature range required for power generation (below) and is comparable to other Australian geothermal plays. Temperatures reported for 'Hot Rock' geothermal projects in Europe are summarised below:

	Soultz (France)	Landau (Germany)	Basel (Switz.)	<b>Theoden 2</b>
<b>Depth</b>	5000m	3300m	5000m	<b>4300m</b>
<b>Temp</b>	175°C	160°C	200°C	<b>200°C</b>

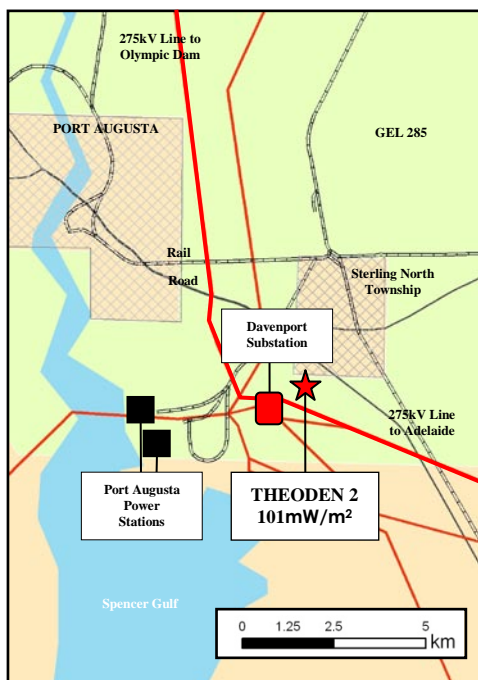
"Geothermal Energy in the Rhine Valley", June 2008.  
<http://www.energy-base.org/fileadmin/media/regioner/docs...>

## GRID CONNECTION – DAVENPORT SUBSTATION

An independent study completed by transmission experts John Thomson Inclusive Pty Ltd (JTIPL) concluded that network access for geothermal power production can be made via the Davenport Substation. The Davenport Substation (left) connects the Northern Transmission Network at Port Augusta, to the Northern and Playford coal-fired power stations and represents an ideal point to feed into the National Electricity Market (NEM).

The increased energy demand is projected to be around 3.0%, and current upgrades are underway at the Davenport Substation to increase the transmission capacity by 100MWe in the near future. In addition substantial mining developments including the Olympic Dam expansion, are expected to increase electricity demand and will require deeper network reinforcements, allowing additional spare capacity.

**The study completed by JTIPL confirms that connection via the 33kV network can be completed for approximately \$10m for the first 50MWe of geothermal power production, and an additional \$22m for up to 200MWe production.**



Plan of the Northern Transmission Network converging at the Davenport Substation.

## CORPORATE

### AGL Geothermal Alliance

In 2008, Torrens Energy entered into a Geothermal Alliance Agreement (GAA) with AGL Energy Limited (AGL), to jointly develop commercial geothermal sites in Australia. AGL has Australia's largest energy customer base, incorporating a diverse power portfolio, spread across traditional energy generation as well as renewable energy sources.

Under the terms of the GAA, Torrens Energy, as the upstream explorer, will initiate geothermal project generation through the delineation of prospective sites for deep confirmation well testing. AGL then has a 'first right' to earn into a project by completing a confirmation well to the target depth, thereby triggering a joint venture with the aim of developing the defined resource on a 50/50 participating basis.

During the March quarter Torrens met with AGL to discuss its plans for advancing its exploration programmes in South Australia, to develop targets for deep drill testing by AGL. AGL reiterated its commitment to the programme and the development for geothermal resources at Parachilna and Port Augusta.



Google Image of the Davenport Substation and Theoden 2 drill site.

ASX CODE: TEY

#### BOARD

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## Financial Position

The current cash at bank is \$6.4 million.

To date the Company has spent \$3.9 million on exploration activities, of which \$2 million has been received back from the Federal Government's \$3M Renewable Energy Development Initiative (REDI) grant, resulting in net expenditure on exploration of \$1.9 million.

## SUMMARY

The Company's 2009 exploration programme is progressing efficiently and within budgeted expenditure. The discovery of high heat flows in the vicinity of Port Augusta followed by the excellent modelled temperatures, is an outstanding outcome for the Company's exploitation of the area in 2009.

The conclusion that network access for future geothermal power production can be made at the Davenport Substation, immediately adjacent to the area successfully explored, is a landmark event for the Company.

Executive Director John Canaris commented:

"The March 2009 quarter represents an excellent start to the year; the heat flow results returned [at Port Augusta] exceed what we believe is required to generate viable temperatures for power generation in the area".

He added:

"The independent connection study completed for the Davenport Substation, located just a few hundred metres from some of our best drilling results, is also an excellent outcome. Whilst the Port Augusta area has been an obvious priority for the Company, to be in a position to quantify the benefits is new, and one we look forward to reporting the results for in the near future."

For further information please contact:

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