
QUARTERLY ACTIVITIES REPORT

MARCH 2010

HIGHLIGHTS

- More outstanding heat flow results from Parachilna Geothermal Play, South Australia
- High modelled reservoir temperatures validated around 240°C at 4,500m
- Deep target well, Elendil 1, served to alliance partner AGL Energy Limited
- Barossa Project Area drilling commenced in South Australia
- Capital raising successfully completed, strong cash position maintained

SUMMARY

March quarter 2010 was one of continued exploration success, with Torrens Energy reporting excellent results from validation drill hole Melkor 1 at its flagship Parachilna Project in South Australia.

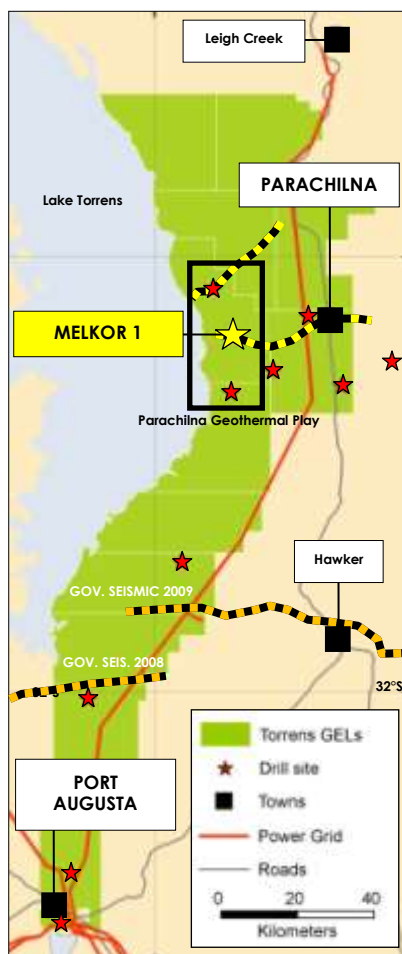
A remarkable final heat flow of 115mW/m² was recorded at a depth of 1,007m, predicting temperatures of ~240°C at 4,500m. This represents the highest modelled target temperature on the electricity grid in Australia.

Independent reports validating Melkor 1 result, and the refined target reservoir were provided to AGL Energy Limited (AGL) in February 2010, who has commenced detailed assessment of the data.

Torrens Energy and AGL entered into a development alliance in 2008, where AGL has a right to earn a 50% participating interest in the Project by sole funding the completion of a confirmation well to the target reservoir.

During the reporting quarter, Torrens Energy commenced drilling at its Barossa Project which will be funded by AGL. Exploration heat-flow drilling will target prospective near-grid geological settings approximately 70 kilometres north of Adelaide.

During the March quarter Torrens Energy announced the completion of an option exercise and new securities subscription by AGL for a total capital injection of approximately \$1,940,000.



DRILLING

Melkor 1 - Validation Drilling Completed to 1,007m

Intermediary drill hole Melkor 1 was completed to 1,007m last year and measured for heat flow during the March 2010 quarter. The hole aimed to validate at greater depths the heat flows recorded by shallow exploration drilling (~500m) in 2007-2009.

Torrens Energy commissioned Hot Dry Rocks Pty Ltd (HDRPL) to independently verify heat flow values and re-measure thermal conductivity data from the well to derive heat-flow values over the cored section of the hole.

HDRPL concluded that a final conductive heat flow of 115mW/m² should be used to provide a robust prediction of temperature at depth.

Independent Temperature Modelling Completed

HDRPL reviewed results from Melkor 1 and seven previously drilled heat-mapping holes at the Parachilna Geothermal Play since 2008. HDRPL commented:

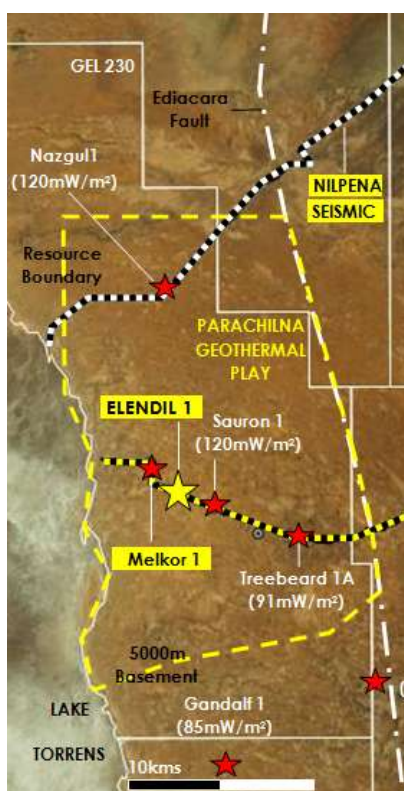
"The Parachilna Geothermal Play now represents the best-understood un-drilled geothermal play in Australia. Torrens Energy has followed world's best practice to measure and model heat flow and characterise the thermal properties of the expected geological section down to 5,000m depth."

"We are confident that the heat flow measured in Torrens Energy's holes, combined with the thermal conductivity data from deeper units, is a sufficient basis upon which to predict these [exceptional] temperatures".

Depth to Base.	T °C @ Base.	Depth to 220°C	T °C @ 4,500m	T °C @ 5,000m
3,500m	190°C	4,100m	240°C	270°C

Base = interpreted Precambrian basement.
All values calculated for 115mW/m², verified by HDRPL.

The result is highly significant, in that targeted EGS temperatures in Australia and planned power production in Europe deploy reservoir temperatures of 150-200°C, well below those predicted for Parachilna.



Parachilna Geothermal Play location diagram showing Melkor 1 and Elendil 1 locations.



View of the Northern Flinders Ranges, South Australia.

CORPORATE

AGL Geothermal Alliance Agreement (GAA)

AGL, Australia's largest integrated renewable energy company, entered into a GAA with Torrens Energy in 2008, which provides for the joint development and commercialisation of base-load geothermal power projects close to the National Electricity Market (NEM) in Australia.

Torrens Energy, as the upstream explorer, will continue to initiate geothermal projects, while AGL will have the right to earn 50% participating interest in these projects by sole funding the completion of a 'Confirmation Well' to target depth at an estimated cost of approximately \$10-15m.

During the quarter Torrens Energy served AGL all data from Melkor 1, and a Confirmation Well Notice for the proposed deep well Elendil 1 (ASX Announcement, 19 October 2009).

AGL has accepted the formal Notice which identifies modelled temperatures of 240°C at 4,500m located within 20 kilometres of the NEM, and have commenced review of the data provided.



Watson Drilling diamond core drill rig during operations at Melkor 1

Barossa Project – AGL Funded Exploration Commenced

The GAA also provides for Torrens Energy to invite AGL to fund certain other exploration projects, giving AGL the right to earn 75% per cent participating interest. Torrens Energy commenced drilling at Barossa Project 70 km north of Adelaide on this basis.

AGL has agreed to fund five heat-mapping holes each to approximately 300m depth, covering some 2,000 km² of highly prospective geothermal terrain. Exploration will target an area with insulating siltstone overlying the heat-producing Barossa Complex.

AGL Securities Subscription Completed

Torrens Energy issued 776,6710 ordinary shares in April to AGL to raise \$194,177, in accordance with the existing Subscription Agreement executed contemporaneously with the GAA in 2008.

Under this agreement AGL is offered matching participation in equity raisings to maintain its 9.99% interest in Torrens Energy.



Well logging operations 2009.

ASX CODE: TEY

BOARD

Dr Dennis Gee: Chairman

John Canaris: Exec. Director

David Eiszele: Director

Marcus Gracey: Director

Howard McLaughlin: Director

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Options Exercise March 31 2010

Torrens Energy announced the successful completion of its March 2010 Option Exercise to raise approximately \$1.7m at a strike price of \$0.25. With the share price hovering around the strike price, Torrens Energy is pleased with the support it received from shareholders.

Financial Position

The cash at bank at 31 March 2010 is \$3.9m.

Torrens Energy has spent \$8,419,000 on exploration, of which \$2,864,000 million has been received from the Australian Government \$3m REDI grant for work carried out in relation to the 3D Temperature Field Modelling. This results in net expenditure of \$5.5m at 31 March 2010.

SUMMARY

The completion of Melkor 1 represents a high-point for Torrens Energy whereby the Parachilna Geothermal Play is validated as the best "un-drilled" temperature EGS target in Australia. Heat flows are consistently in the range 110–115mW/m² over a spatially continuous area of more than 300 Km². Modelled temperatures are confirmed as the best in Australia.

The successful uptake of Options expiring 31 March represented approximately 25% of entitlement, which in consideration of the strike price demonstrates real shareholder support.

Executive Director John Canaris said: "AGL's desire to continue its 9.9% cornerstone investment is gratifying, and combined with the option conversions provide a significant capital boost. This come as a elcome addition to the award of \$7m matched grant funding from the Australian Government Department of Resources Energy and Tourism, Geothermal Drilling Program (GDP), reported in the previous quarter."

"With our strong cash position, support from government grants and a downstream development partner ready to support, Torrens Energy strengthens its prominent position in the Australian geothermal scene. This support is greatly appreciated."

For more information please contact:

John Canaris
Executive Director
Torrens Energy Limited

The information in this report that relates to exploration results has been compiled by John Canaris. Mr Canaris is a full time employee of the Company, has sufficient experience in the style of geothermal play under consideration to qualify as a Competent Person under the Australian Code for Reporting of Exploration Results, Geothermal Resources and Geothermal Reserves (2008 Edition). Mr Canaris has consented to the public release of this report and its form and context.