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## QUARTERLY ACTIVITIES REPORT

### JUNE 2007

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#### HIGHLIGHTS

- Acquisition of Geothermal Exploration Licences (GELs) 278 & 285 brings Torrens Energy Limited total tenement holding to 16.
- The Company accepts offer of grant of Geothermal Exploration Permit (GEP) 5 in Victoria
- Heat Flow Modelling in Torrens Project Area Shows Great Promise
- Torrens Energy Well Positioned for Labor Drilling Initiative
- Direct Use Applications - Hybrid Geothermal Pre-Heating and Geothermal Seawater Desalination identified
- Exploration drilling scheduled to begin in October

#### Summary

The June Quarter was one where Torrens Energy ("Torrens Energy" or "Company") continued its excellent progress, with new tenement acquisitions in the strategic Torrens Project Area, and the awarding of a prospective geothermal permit in Melbourne.

Torrens has started investigating potential direct use applications that could see it using low to moderate temperature geothermal energy for augmenting coal-fired power generation, or seawater desalination.

The Company continues to work towards a scheduled drilling programme for October this year.

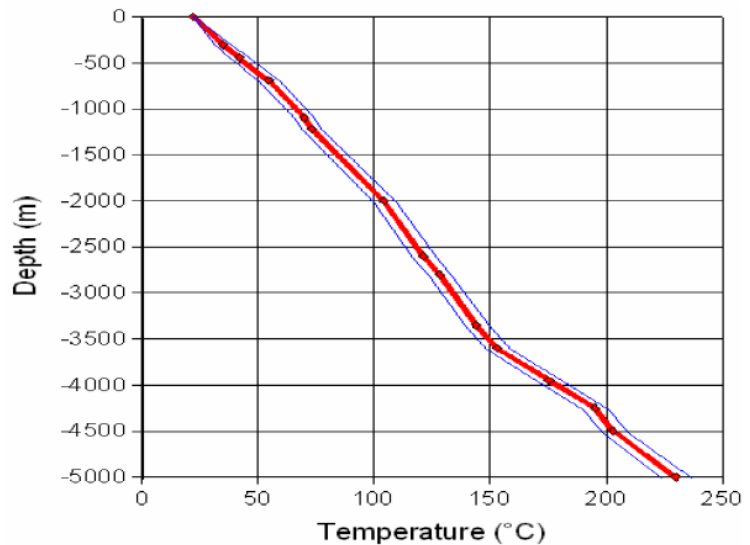
#### EXPLORATION

##### Increased Tenement Holding – Strategic and Technical Upside

During the quarter Torrens Energy has been granted a further 2 GELs in South Australia. GEL 278 & 285 both form part of the Torrens Project area and are close to power supply infrastructure, markets, major roads and the National Power Grid.

GEL 278 was offered and accepted in mid-April. The licence extended the Torrens Project into a highly prospective region close to the Flinders Ranges in South Australia. The National Power Grid bisects the new GEL. The high heat flow in GEL 278 confirms the prospectivity of the Torrens Project area.

The petroleum well Edeowie 1, drilled in 1981, is inside GEL 278 and contains a temperature log showing very high heat flow and geothermal gradients. This hole was logged during a break in drilling, and the result was a bottom-of-hole temperature of 57°C at 754m depth. The modelled heat reservoir indicates high heat flow, reaching 230°C at full depth, making the source potentially viable for future power generation.



Temperature modelling under drillhole Edeowie 1 to 5000m based on data collected during drilling

GEL 285 offered at Port Augusta covers major power stations and associated electricity supply infrastructure providing significant commercial opportunities. Torrens has reviewed geological data from the Torrens Hinge Zone in the vicinity of Port Augusta and has concluded that the area is highly prospective for hot rocks. There are also significant commercial opportunities associated with GEL 285 that are discussed below.

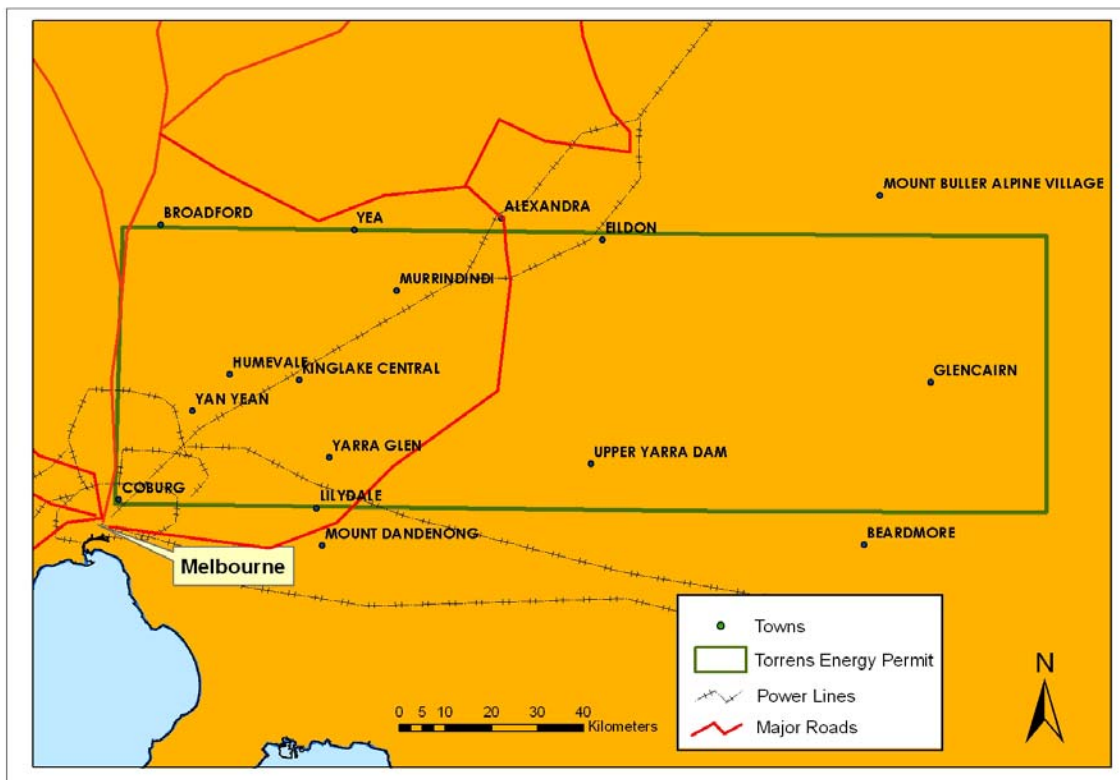


Both GEL 278 and 285 cover a highly prospective region known for high heat flow and coincident insulating cover. Heat-flow modelling shows achievable temperatures of 230°C+ at 5000m under GEL 278, confirming the excellent exploration potential in this region.

## Victoria - Geothermal Exploration Permit 5

The Company was offered two Geothermal Exploration Permits in Victoria, and decided to accept one, GEP5, located to the north east of the city of Melbourne. The acquisition of this GEL is in keeping with The Company's philosophy of exploring for hot rocks in the heart of markets and infrastructure.

This permit is located in a geological region called the Melbourne Zone, an area that should contain active heat sources and thick insulating cover. The western portion of this permit contains major infrastructure facilities such as the National Power Grid and major highways. Initial geothermal assessment has begun.



## Labour Announces Drilling Initiative

On the 30<sup>th</sup> of May opposition leader Kevin Rudd announced Labor's 10 point plan to tackle climate change, which included a \$50 million commitment to match (dollar-for-dollar) geothermal drilling expenditure and exploration development in Australia.

These sentiments were outlined in a television interview by Labor's Environment Spokesman Peter Garrett, who singled out developments in South Australia, and its "tremendous prospects in geothermal" which, he said need to be tested with drilling programmes. Garrett believes the industry is being hampered by the lack of capacity, particularly in drilling:

*"...so what we intend this \$50 million to go towards is to provide a one for one dollars, match \$1 from us, \$1 from the industry so that they can get these drilling rigs on to site and really get the best sites identified and get the industry going."*

## **Exploration Drilling Programme**

Drilling is planned for both the Torrens and Barossa-Clare Project areas. The programme will involve the drilling of cored holes to around 400-500m depth, which will be cased to full depth to allow detailed thermal measurements to be undertaken. Torrens Energy has scheduled exploration drilling for high heat flow for October this year.

## **NEW DIRECT USE APPLICATIONS**

### **Hybrid Geothermal Preheating – Port Augusta**

Torrens Energy has accessed research from Europe which concluded that there are potential benefits to be realised when geothermal energy is applied to the preheating stages of coal-fired power generation. The research concluded that the direct deployment of moderate temperatures (less than 120°C) could increase the lifetime of coal reserves, while reducing the carbon emissions per MWhr in a coal-fired power plant.

Successful exploration of GEL 285 around Port Augusta may reveal geothermal resources that could be incorporated directly into existing power infrastructure. This could fast-track the deployment of geothermal in a sustainable baseload power future.

### **Direct Geothermal Seawater Desalination**

The acquisition of GEL 285 brings The Company's Torrens Project Area to the coast at the top of Spencer Gulf. Studies reviewed by Torrens Energy show that it may be possible to utilise low temperature geothermal heat (75-100°C) to directly desalinate seawater. This process would use considerably less energy than the process of reverse osmosis, currently in use in many parts of the world, including Perth.

The achievement of coastal access at Port Augusta means that Torrens Energy now has two projects on the coast. The Company's Adelaide Project is also located on the coast, with potential seawater access from the Northern Adelaide Plains.

## CORPORATE

### New Board Appointments

Torrens Energy recently announced changes to the composition of the board. The directors are pleased to welcome both Mr David Eiszele, former MD of Western Power and Mr Marcus Gracey, corporate and intellectual property lawyer, to the board as non-executive directors. The new board structure brings together strong technical, operational and commercial experience. To incentive the new directors, the board has granted to each director, subject to shareholder approval, the following option package:

| Options | Exercise Price | Expiry       |
|---------|----------------|--------------|
| 40,000  | \$0.70         | 30 June 2010 |
| 100,000 | \$1.00         | 30 June 2010 |
| 200,000 | \$1.50         | 30 June 2010 |

### Financial Position

At the end of the Quarter the Company had a cash balance of \$5.88 million.

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