TORRENS ENERGY LIMITED

ABN 79 118 065 704

QUARTERLY ACTIVITIES REPORT DECEMBER 2007

HIGHLIGHTS

- **Exploration Success – Hot Rock Prospectivity Confirmed on the Grid**
- **Very High Modelled Temperatures Recorded - 240°C at 5,000m**
- **New acquisition of GEL 293 Port Adelaide, South Australia**
- **Torrens Energy runner up in Resource Stocks IPO of the Year Award**

Summary

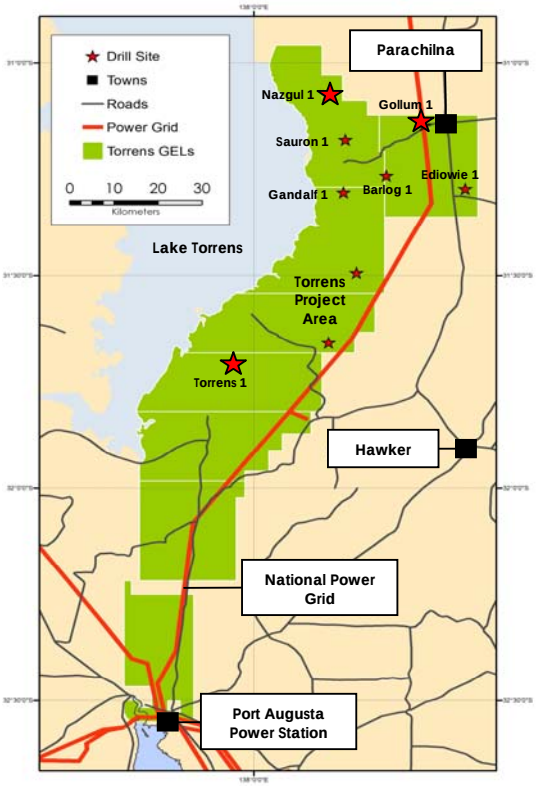
The December Quarter has been a breakthrough period for Torrens Energy, with high (heat flow) temperatures recorded from three exploration drills holes at the Torrens Project Area, South Australia. The results confirm the validity of Torrens Energy's innovative exploration methodology, and represent a major advancement in the search for Hot Rocks in the heart of infrastructure.

Torrens Energy has continued its aggressive land acquisition programme, securing the strategically located GEL 293 in heart of power infrastructure at Port Adelaide, north of the Adelaide CBD.

This acquisition has brought forward a range of possible geothermal applications for geothermal energy including desalination of sea water and hybrid geothermal pre-heating at the Torrens Island Power Stations.

The calendar year ended with the recognition of Torrens Energy for its stunning debut and early progress on the ASX as Resource Stocks Magazine awarded the Company runner up in its IPO of the Year list.

With exploration drilling continuing into the next Quarter, supported by $3M grant funding from the Federal Government's Renewable Energy Development Initiative, the Company is confident of delivering "hot rock" exploration success into 2008.



Torrens Project Area location diagram showing drill hole locations in proximity to the National Power Grid.

EXPLORATION

Drilling Commenced – Outstanding Early Results

Exploration drilling commenced early in the Quarter and will continue into the first Quarter 2008. In early December 2007, Torrens Energy announced the discovery of high heat flow 15km from the National Power Grid in diamond drill hole Torrens 1, north of Port Augusta in South Australia (ASX Release 7 December 2007).

In late January 2008 the Company announced results from further exploration drilling at the Torrens Project Area. Two wells returned heat flow values well above the Company's stated target of 90mW/m^2, with associated high temperature gradients. Results are summarised as follows:

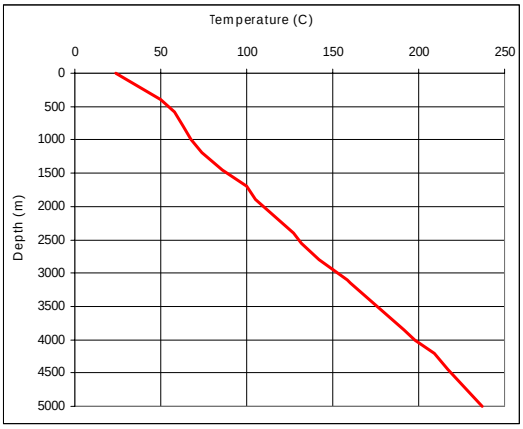
Hole Name	Current Depth	Heat Flow
Gollum #1	501m	**105 mW/m^2**
Nazgul #1	600m	**102 mW/m^2**
Torrens #1	760m	**90 mW/m^2**
Edeowie #1	635m	77 mW/m^2
Sauron #1	375m	To be Completed
Gandalf #1	580m	To be Completed
Balrog #1	310m	To be Completed

These values represent a significant discovery and are above averages recorded for the Cooper Basin of South Australia, which has traditionally been the focus of geothermal exploration activity in Australia.

Standard temperature modelling for well Nazgul #1 shows that temperatures in the order of 240°C are achievable at approximately 5,000m depth (right).

These modelled results are higher than temperatures currently being exploited for "hot rock" geothermal power in Europe, and amongst the highest being evaluated in Australia.

The results confirm the existence of hot rock geothermal targets in the Company's wholly owned Torrens Project, located on the National Electricity Grid in South Australia.



Nazgul #1 Temperature Modelling to 5000m

Drilling Continues

The Company has completed drilling four drillholes and commenced three (total seven) planned "hot rock" exploration drillholes over 2,000km^2 at the Torrens Project Area (Figure 1).

Work is being carried out by two drilling rigs, one drilling "pre-collars" through unconsolidated ground, while the other is drilling core "tails" to enable accurate heat flow measurements to be made at depths ranging from 500-600m.

Exploration activity is supported by a matched funding $3M Federal Government grant (totalling $6M expenditure) under the Federal Government's Renewable Energy Development Initiative (ASX Announcement, 27 August 2007).

BUSINESS DEVELOPMENT

Acquisition of GEL 293 Port Adelaide, South Australia

On December 11 2007 Torrens Energy announced the granting of GEL 293 at Port Adelaide, north of the Adelaide CBD.. The acquisition of this GEL extends the Company's wholly owned Adelaide Project into the heart of SA's power industry and infrastructure.

GEL 293 incorporates what Torrens Energy believes to be a prime site for the development of a desalination plant. Studies completed overseas have shown that relatively moderate geothermal temperatures can be utilised to effectively desalinate seawater, with geothermal temperatures between 75 ^{o}C and 100^{o}C used to successfully desalinate seawater using multi-effect distillation (ASX Announcement, 25 June 2007).

In addition, technical studies completed overseas show that geothermal resources have the potential to be retro-fitted directly to existing fossil-fuel powered power production. This process has been termed "hybrid geothermal pre-heating", and involves elevating the water temperatures prior to being injected into the steam cycle.

Torrens Energy believes that the acquisition of GEL 293 is important, not only in acquiring highly prospective hot-rock geothermal ground, but also bringing forward direct commercial opportunities for augmenting existing power and water infrastructure in South Australia.

CORPORATE

Torrens Energy runner up in Resource Stocks IPO of the Year Award

Torrens Energy was selected by Resource Stocks Magazine as runner-up in its IPO of the Year (2007) awards. The Company was selected based on factors such as strong debut price, overall product, and strength of performance over the year.

Financial Position

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

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