

**Port Augusta Geothermal Resource Update,
 Estimate of 7,160PJ Recoverable Energy**

HIGHLIGHTS

- **New recoverable energy estimate of 7,160PJ established at Port Augusta, SA**
- **Inferred target resource sufficient to produce between 130-500MWe for 30 years**
- **Ideally situated on power infrastructure connecting to the national grid**
- **Substantial commercial advantage over off-grid geothermal developments**

SUMMARY

Torrens Energy (Torrens Energy Limited, ASX: TEY) is pleased to report the results of a new independent estimate of the recoverable energy at Port Augusta (GEL 285) north of Adelaide in South Australia. This update made separate to the Parachilna Geothermal Resource Update further north, released to the ASX on 14 December 2011.

A global estimate of 7,160PJ recoverable energy has been identified, which has been independently shown to have the potential to produce 130 to 500MWe for 30 years:

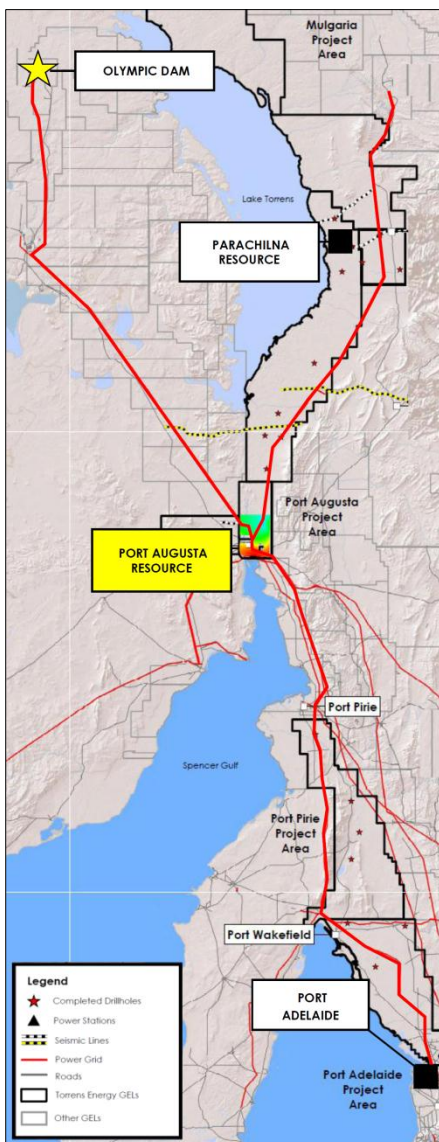
Depth Interval	Estimated Reservoir Temperature °C	Potential Power for 30 Years MWe*
3,500 – 4,000m	158	130
4,000-4,500m	175	350
4,500-5,000m	200	500

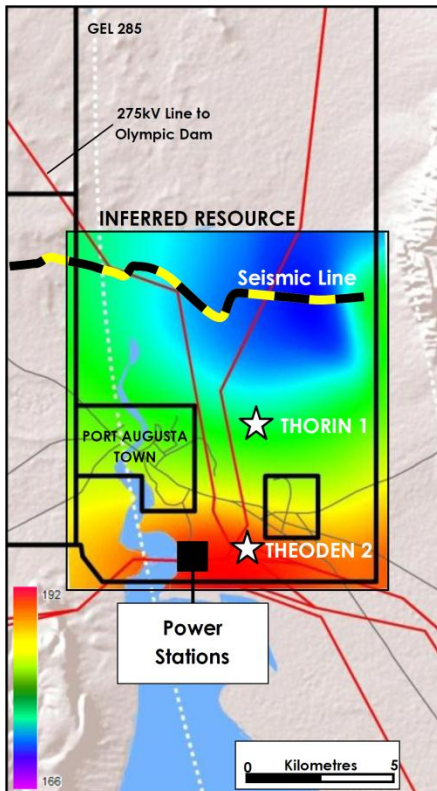
*Estimated electrical power potential is presented for the combined sedimentary and basement reservoir targets is independently derived from a Global Protocol for Geothermal Resource estimates.

The independent result was prepared by applying the 2010 edition of the Australian Code for the reporting of geothermal, to drilling & seismic data collected by the Company between 2008 and 2010.

Port Augusta is located at the head of Spencer Gulf approximately 400 kilometres north of Adelaide. The Northern and Playford Power Stations at Port Augusta contribute around 20 per cent (520MWe) of SA's electricity needs.

The Port Augusta geothermal field is optimally situated on the national grid, feeding directly into the Northern Transmission Network and mining developments including the BHP Billiton's Olympic Dam Project (left, red).





The Port Augusta Inferred Resource location diagram.

Competent Persons Statement

The information in this report that relates to Geothermal Resources is based on information compiled by Dr Graeme Beardsmore, who appears on the Register of Practising Geothermal Professionals maintained by the Australian Geothermal Energy Group Incorporated at the time of the publication of this report. Dr Beardsmore is employed by Hot Dry Rocks Pty Ltd (HDR), an independent company that provides consulting services to Torrens Energy Ltd. Dr Beardsmore has sufficient experience relevant to the style and type of geothermal play under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the Second Edition (2010) of the 'Australian Code for Reporting Exploration Results, Geothermal Resources and Geothermal Reserves'. Dr Beardsmore was assisted by other employees within HDR but takes sole responsibility and is accountable for the report as a Competent Person. Dr Beardsmore has no financial interest in Torrens Energy Ltd. Dr Beardsmore has consented to the public release of this report in the form and context in which it appears.

PORT AUGUSTA STATEMENT OF GEOTHERMAL RESOURCES

The Australian Code for Reporting of Exploration Results, Geothermal Resources and Geothermal Reserves, 2010 Edition ('The Code') defines a geothermal resource as that proportion of stored heat that can be recovered to the surface, and is therefore a more accurate estimate of potential geothermal benefit than "heat in place" reported in 2008 (780,000PJ).

Torrens Energy contracted independent geothermal consultants Hot Dry Rocks Pty Ltd (HDR) to complete an estimate of 'recoverable heat' using the information described in the next section. Results and key variables are summarised as follows:

Depth Interval	Recoverable Heat PJ (Sed)*	Rec. Heat PJ (Base)*	Total
3,500-4,000m	60	1,000	1,060
4,000-4,500m	190	2,500	2,690
4,500-5,000m	10	3,400	3,410
Total	260	6,900	7,160

*The estimate of 'recoverable heat' is the new industry standard for estimating the proportion of geothermal energy that can be recovered from a volume of rock. In this context the reservoir volume is constrained by key variables (below).

Key Variables	Value
Cut off Temperature	150°C**
Base Temperature	98°C**
Base of Reservoir	5,000m***
Average Surface Temperature	21.0± 0.5°C
Specific Heat Capacity at 25°C	750JKg ⁻¹ K ⁻¹
Heat Generation - Basement	5µW/m ³

** Reference to cut-off and base temperature is made in consideration of an estimate of the current realistic lowest economically extractable geothermal temperature and so may change with technology in time.
 ***An estimate of volume of the reservoir is required to be calculated, in this assessment requiring an upper and lower limit be set. HDR considers based on Australian experiences that a maximum depth of 5,000m and thickness of 500m is reasonable for the target reservoir.

KEY DATASETS

The Geothermal Resource estimate is based on three principal datasets; high-resolution temperature logs taken from shallow heat flow wells drilled in 2008 and 2009, a comprehensive set of rock thermal property measurements from the same holes, and a 2D reflection seismic line collected in 2009.

ASX CODE: TEY

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This information was provided to HDR and also formed the basis for estimates of 'stored heat' for the Area as included in the Company's Annual Report for 2011.

TORRENS ENERGY CONNECTION COST ADVANTAGE

Port Augusta is arguably the best located geothermal field in Australia; network access can be immediately established to the National Electricity Market via the Davenport Substation and associated Olympic Dam 275kV transmission line intersecting the identified resource.

Connection cost estimates from pilot through to full production are insignificant by comparison to off-grid explorers; an independent investigation into the early development of a transmission system, designed to connect off-grid Cooper Basin geothermal developments [further north] to Olympic Dam, would have a total capital cost of at least \$900m (source: MMA/AGEA Connection Report 2009).

Managing Director John Canaris commented: "Whilst the technical work completed at Port Augusta has not been as intensive as our lead project at Parachilna, the drilling completed shows that heat flows are very high, and well within the range required for stand-alone power generation. This resource modelling shows that with only limited drilling a significant geothermal resource can be identified, which would undoubtedly be expanded through further exploration".

"The opportunity to augment existing power infrastructure at Port Augusta is there, and is no better demonstrated than by the comparative cost of connection to the grid (above). In addition mining development and associated activities such as desalination will put unheralded pressure on this electricity node produces around 50 per cent of the States power production carbon emissions."

"The Governments \$13b Clean Energy Future package, released this year, designed to factor carbon into electricity pricing and stimulate renewable investment, seems tailor made for Port Augusta where antiquated coal-fired power stations continue to burn atop an undeveloped, vast, renewable, base-load power source".

For more information please contact:

John Canaris
Managing Director
Torrens Energy Limited



The information in this report relating to geothermal exploration results has been compiled by John Canaris. Mr Canaris is a full time employee of the Company, and 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 (2010 Edition). John Canaris has consented in writing the public release of this report in the form and context in which it appears.