Advance Energy Limited

ACN 111 823 762

Supplementary Prospectus

This is a supplementary prospectus for the purpose of Chapter 6D of the Corporations Act (**Supplementary Prospectus**). This Supplementary Prospectus supplements the Prospectus of Advance Energy Limited dated 4 July 2008 and lodged with the Australian Securities and Investments Commission (**ASIC**) on that date (**Prospectus**). This Supplementary Prospectus is dated 1 August 2008 and was lodged with ASIC on that date. This Supplementary Prospectus must be read together with the Prospectus. Neither ASIC nor ASX takes any responsibility for the contents of this Supplementary Prospectus.

Pursuant to section 719(4) of the Corporations Act, the Prospectus is taken to include this Supplementary Prospectus.

A number of words and terms used in this Supplementary Prospectus have defined meanings that appear in the Glossary in Section 7 of the Prospectus, unless the context otherwise requires.

1. **Introduction**

On 4 July 2008 the Company lodged the Prospectus with ASIC for a non-renounceable rights issue to Eligible Shareholders of up to 49,499,356 Shares at an issue price of $0.08 per Share, on the basis of 5 Shares for every 7 Shares held as at the Record Date, to raise up to $3,959,948 before the costs of the Offer. The Rights Issue is fully underwritten by Anndev Pty Ltd.

This Supplementary Prospectus has been prepared to:

(a) provide an update of the Company's activities; and

(b) reflect the amended key dates in the timetable of the Offer as announced by the Company on 25 July 2008.

2. **Amendments**

2.1 **Cover page - Closing Date**

The Closing Date of "5 August 2008" in the cover page of the Prospectus should be replaced with "12 August 2008".

2.2 **Important Notice - Online Prospectus**

This Supplementary Prospectus may be viewed online at the Company's website address www.advanceenergyltd.com.au.

2.3 **Proposed Timetable**

The following dates:

(a) the Closing Date;

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(b) the date for the Shares being quoted on a deferred basis;

(c) the shortfall notification date;

(d) the anticipated date for the allotment and issue of the Shares;

(e) the anticipated date for the despatch of holder statements (and last day for the Company to confirm to ASX all information required by Appendix 3B);

(f) the date when the deferred settlement trading ends; and

(g) the anticipated date of commencement of Shares trading,

set out in the timetable in the timetable on page 5 of the Prospectus should be replaced by the following dates, respectively:

Closing Date	12 August 2008
Shares quoted on a deferred settlement basis	13 August 2008
Shortfall notification date	14 August 2008
Anticipated date for allotment and issue of the Shares	19 August 2008
Anticipated date for despatch of holder statements (and last day for the Company to confirm to ASX all information required by Appendix 3B)	20 August 2008
Deferred Settlement trading ends	20 August 2008
Anticipated date of commencement of Shares trading	21 August 2008

2.4 Section 1.2 - Company Background

The following words should be inserted after the third paragraph of Section 1.2:

> "This translates to an asset backing per share, after the Rights Issue, in excess of 17 cents. This calculation takes into account all liabilities and is due to the continued development of the Company’s proven reserves and the acquisition of additional interest in its cornerstone project, Mother Lode I (discussed below).
>
> The report is further enhanced by the Company's latest gross revenues for May which were a record $660,000. Furthermore, despite several shut-ins during workovers, revenues for June exceeded $550,000 bringing unaudited revenues for the quarter up to $1,559,742- an increase of 95% on the previous quarter. Production from two wells completed in May has yet to be connected (see below).

The following words should be inserted after the current fourth paragraph of Section 1.2 (after the words "...by approximately US120,000"):

"As previously announced, the Company is well advanced in its summer 2008 workover program, which is designed to offset the natural decline of producing assets and to bring on additional reserves at both of its Palo Pinto County Projects.

Advance Energy's Operations Manager, Hibernia Resources LLC, advises that it expects the connection of the Williams 9-1 and Thomas 9-2 in the next 30 days. These wells were completed in May 2000 but an acute shortage of steel pipe and recent upgrades at the gas treatment facility has delayed this connection. Hibernia advises that it expects these two wells to add net production of approximately 26MCFPD and 13BOPD. Based on current NYMEX energy prices ($127/barrel and $9.3/MMBTU[1]), this would equate to additional annualised revenue of $707,000[2].

Hibernia Resources also advises that the recently completed workover of Advance Energy's Alexander-1 well (Net Revenue Interest 70.2%) increased gross production by 80MCFPD (56MCFPD Net to Advance Energy). This equates to $226,000 in additional annualised revenue to Advance Energy.

Advance Energy will drill six additional wells before the end of 2008 including its first in the recently acquired Mother Lode III project. The majority of these wells are low risk step-out wells where production can be predicted with some level of confidence.

Advance Energy is expecting to receive term sheets from various parties for the sale of its Lone Camp project. The Directors anticipate closure (settlement) of the sale by late September 2008. The Lone Camp project has been one of Advance Energy's most successful investments as operational cashflows have exceeded the acquisition and development costs over the past 30 months. Consequently, the sale proceeds will confirm the success of Advance Energy's business model of acquiring producing properties, adding value through workovers and divestment on achieving payback.

As announced on 31 March 2008, the Sterling Bank facility has been extended from US$20,000,000 to US$40,000,000 and the interest rate has been reduced to Prime +1.0% (i.e. 6.0%) indicating the level of support from our US financiers. This facility is currently only drawn down to approximately US$6,000,000."

3. Consent

In accordance with the Corporations Act, Anndev Pty Ltd has given and, has not, before lodgement of this Supplementary Prospectus and any electronic version of this Supplementary Prospectus with ASIC, withdrawn its written consent to be named as an underwriter of the Offer in this Supplementary Prospectus in the form and context in which it is named in this Supplementary Prospectus.

4. Consent to Lodgement

[1] The energy content of Advance Energy's production averages 1.19MMBTU (Million British Thermal Units) to 1 MCF (Thousand Cubic Feet) of gas. NYMEX strip price as at 31/07/08 was $9.3/MMBTU which is equivalent to $11.07/MCF

[2] Annualised Revenue = Net Production Per Day x Price x 365 Days

In accordance with section 720 of the Corporations Act, each Director of Advance Energy Limited has given and has not, at the date of this Supplementary Prospectus, withdrawn his written consent to the lodgement with the ASIC of this Supplementary Prospectus.

This Supplementary Prospectus is issued by Advance Energy Limited. Its issue was authorised by a resolution of the Directors and is signed on behalf of all Directors.

DATED: 1 August 2008

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Alex Bajada
Chairman

SIGNED for and on behalf of Advance Energy Limited ACN 111 823 762

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