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ASX ANNOUNCEMENT

Date 20 January 2009

Debt Reduction/Debt Cover

As previously announced to the market, the Lone Camp project was sold and settled upon in December 2008 for a price of US\$2 million. This represented a return on investment in excess of 100% in less than three years. The funds from the sale were used to reduce the current debt facility with Sterling Bank of Texas from US\$7.4 million to US\$5.4 million. No principal repayments are now due until March 2009. The current interest rate on this facility is 4.25% per annum, which is US Prime rate +1%, and the reduction in the principal debt reduces monthly interest payments to less than US\$20,000.

Also during December a further A\$500,000 in convertible notes were redeemed. Since June 2008, A\$3.725 million of convertible notes have been redeemed (net), reducing the group's current convertible notes to A\$4.3 million and note interest payments to A\$40,000 per month.

At current spot prices (US\$4.70/MMBTU and US\$38/Bbl), Advance's January revenue is estimated to be around US\$270,000 while operational and administrative expenses will be approximately US\$130,000 resulting in an EBIT of around US\$140,000. On this basis, Advance's bank and convertible note interest expense is covered more than 2.5 times by EBIT.

Hedging Position

In light of oil and natural gas prices falling from their historic highs in mid-2008, we are pleased to announce that the combined mark to market value of our hedging programme surpassed **US\$820,000** on 12 January 2009. This value is net of the previous week's settlement remitted to Advance in excess of **US\$110,000** for December contracts. It should be noted that the mark to market value changes daily based upon the daily settlement prices. It is also worth pointing out that the effect on cash flow of the hedging policy during 2008, taking into account the historical highs and the recent lows in prices, has been a net positive to the group, while significantly reducing revenue volatility.

In summary the group has hedged oil production volumes of 2,000 barrels of oil per month, hedged in two different costless products. The first uses costless collar contracts with a light sweet crude NYMEX floor price of \$90 per barrel and a ceiling of \$100.75 per barrel for 1,000 barrels of oil per month. This hedge expires in **March 2009**. The second is a costless call spread collar, which hedges a further 1,000 barrels of oil per month with a light sweet crude NYMEX floor price of \$95 per barrel. Along with purchasing this floor, Advance sold a \$105-\$120 per barrel call spread, which allows the company to participate in price moves above \$120 per barrel. This hedge expires in **May 2010**. There is also a small natural gas hedge in place of 5,000 MMBtu per month, which expires in **February 2009**.

In the event that energy prices were to be around US\$40/barrel and US\$5.50/MMBTU, hedging settlements would be in the order of US\$116,000 for January and February 2009, US\$106,000 for March 2009 and US\$55,000 thereafter until May 2010 providing Advance with significant revenue protection during this period of low prices.

The counterparty to the hedge position is MF Global Ltd, the leading broker of exchange-listed futures and options in the world. It provides execution and clearing services for exchange-traded and over-the-counter derivative products as well as for non-derivative foreign exchange products and securities in the cash market. MF Global is rated Baa/BBB+/BBB+ by Moody's, S&P and Fitch, respectively.

FOR FURTHER INFORMATION CONTACT

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ABOUT ADVANCE ENERGY LIMITED

Advance Energy Limited is focused on the acquisition and development of oil and gas producing assets in Texas USA. The company aims to acquire assets with a combination of debt and equity that have current production and cash flow and to enhance production and cash flow through the further development of these assets. Once a property has reached its full productive potential and/or has achieved economic payout to Advance Energy, the Company looks to on sell all or part of its interest. It is the aim of the Company to develop a portfolio of assets which will be developed and traded to maximise returns on funds invested.