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ACN 111 823 762

ASX ANNOUNCEMENT

Date 2 February 2009

Amended Activities Report and Appendix 5b for the quarter ended 31 December 2008

We attach an amended activities report and appendix 5b, in respect of the quarter ended 31 December 2008.

FOR FURTHER INFORMATION CONTACT

Mr Anthony Short (Managing Director) or Mr David Ballantyne (Company Secretary)
Telephone: 08 9486 1122
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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.



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ADVANCE ENERGY LIMITED

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QUARTERLY REPORT

31 DECEMBER 2008

OVERVIEW

Advance Energy Limited, (“AVD”) is pleased to present the following highlights for the quarter ended 31 December 2008:

- Revenues from customers for the quarter were US\$658,346 but were augmented by US\$225,926 in hedging revenue;
- Divested and received settlement for the Lone Camp project for US\$2m thereby achieving an annualised Internal Rate of Return (IRR) in excess of 58% and a return on investment of 112%;
- Redeemed \$500,000 in convertible notes reducing the balance to \$4.3m;
- Reduced senior debt from US\$7.97m to US\$5.4m primarily as a result of the sale of Lone Camp; and
- The development plan for the last quarter and for the first quarter of 2009 were amended and most major development of the Company's assets has been deferred in order to take advantage of anticipated falling prices for goods and services. Once the pricing for goods and services reaches equilibrium with current commodity prices the development work will recommence. Currently the Company is planning on April 2009 to recommence the development of its long life assets.

OPERATIONS

Martin County-Mother Lode Projects

The company has delayed the previously announced development plans for these assets to take advantage of falling prices for goods and services. Upon pricing for goods and services falling in line with current oil and gas prices development activities on these assets will be recommenced.

Mother Lode Phase I

These five wells currently produce a very steady 62 BOEPD net to the Company.

Mother Lode Phase II

The Mother Lode II project is currently producing 32 BOEPD net to Advance. The Williams 9-1 and Thomas 9-2 wells which were tied in during the previous quarter are currently on plunger lift and are increasing in rate as they recover the remaining frac fluid.

Mother Lode Phase III

Two prospects, the North Hampton and Greene prospects, are now fully leased. As mentioned above, these wells will be drilled once goods and services pricing reduce to levels which reflect the current commodity price market.

Palo Pinto County Projects

The company has reduced its asset base in the Palo Pinto County portion of the highly active Fort Worth Basin.

Palo Pinto-Lone Camp Project

On 4 October 2008, AVD announced that it had received and accepted a Letter of Intent on the sale of the Lone Camp Project. The Company assisted the potential purchaser in undertaking due

diligence until late November 2008 when the potential purchaser withdrew due to changing market conditions. Advance then re-opened negotiations with other parties that had expressed and interest and closed several weeks later for US\$2m on 23rd December 2008.

The project was acquired for US\$1.282m using 100% debt provided by Sterling Bank of Texas. Advance increased production from 250 thousand cubic feet per day (MCFD) to 430 MCFD by workover and drilling activity thereby generating net revenue of US \$1.189m at a cost of only US\$254,000. The project was sold for US\$2m (US\$1.823m post BIAPO) in December 2008 delivering an IRR in excess of 58% and a return on investment of 112%, over a 35 month period.

The sale of Lone Camp is the Company's first completion of a project ownership cycle and proves the business model of acquire, develop, produce and divest and delivers an outstanding project return despite the recent downturn in energy prices.

Palo Pinto-Possum Kingdom Project

Production from the Possum Kingdom project remains stable at approximately 335 MCFEPD. Several minor workovers were performed on these assets in October with fair success. All other development plans for these assets have been tabled until the prices for goods and services stabilise.

CORPORATE

Repayment of Debt

Advance continued to make principal repayments on its Sterling Bank of Texas debt facility which stood at US\$7.7m on 30 September 2008. Furthermore, it used the entire net proceeds from the sale of the Lone Camp project to further reduce the balance to US\$5.4m as at 31 December 2008. Principal repayments will recommence in March 2009.

The debt facility currently incurs interest at 4.25% (US Prime plus 1.0%). Monthly interest costs have therefore been reduced to less than US\$20,000.

Redemption of Convertible Notes

Advance redeemed an additional \$500,000 in convertible notes bringing the total redeemed since June 2008 to \$3.725m and the current issued notes to \$4.3m. The monthly interest payment for issued notes is now \$43,000 per month.

Deferral of Option Rights Issue and Placement

Advance announced that it would defer the proposed option rights issue and placement announced to the market on 25 August 2008.

Hedging Mark to Market Position

The Company's combined mark to market value of its hedging position was US\$919,107 on 31 December 2008.

For further information contact:

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Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Advance Energy Limited

ABN

111 823 762

Quarter ended ("current quarter")

31 December 2008

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (12 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	2,842	6,722
1.2	Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(361) (446)	(1,434) (1,451)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	4	37
1.5	Interest and other costs of finance paid	(321)	(1,346)
1.6	Income taxes paid		
1.7	Other (provide details if material)		
Net Operating Cash Flows		1,718	2,528
Cash flows related to investing activities			
1.8	Payment for purchases of: (a)prospects (b)equity investments (c)other fixed assets	- (1,187)	(5,139) (2,124)
1.9	Proceeds from sale of: (a)prospects (b)equity investments (c)other fixed assets	2,777	2,777
1.10	Loans to other entities	-	(50)
1.11	Loans repaid by other entities	50	50
1.12	Other (provide details if material)		
Net investing cash flows		1,640	(4,486)
1.13	Total operating and investing cash flows (carried forward)	3,358	(1,958)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	3,358	(1,958)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	3,190
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	2,250	3,450
1.17	Repayment of borrowings	(4,327)	(4,759)
1.18	Dividends paid		
1.19	Other Hedging Contract	1,035	1,035
	Other Capital Raising Costs	(102)	(102)
	Net financing cash flows	(1,144)	2,814
	Net increase (decrease) in cash held	2,214	855
1.20	Cash at beginning of quarter/year to date	360	1,936
1.21	Exchange rate adjustments to item 1.20	(23)	(240)
1.22	Cash at end of quarter	2,551	2,551

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	96
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Hedging revenue was in the order of US\$225,000 for the quarter, substantially reducing the impact of the acute decline in worldwide commodity prices over the period. The balance disclosed above under hedge contracts includes this hedging revenue and also funds received from margin calls made by the Company on M F Global.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

The US subsidiary, Advance Exploration and Production Inc, ("AEPI") has a balance sheet asset and an unrealised gain in its income statement of US\$919,000 in relation to its hedging programme. This effectively represents the amount that would have been paid to AEPI at 31 December 2008 if it had terminated all of its hedging contracts. This number is a combination of the time still to expire on the contracts, and oil and gas prices, and has no impact on the group's cash flow unless contracts are terminated. This represents a US\$720,000 increase from the 30 September number and illustrates once again the benefits of a sound hedging position in a volatile energy environment.

Since October 2008 AEPI has been making regular margin calls to MF Global, its provider of hedging services.

+ See chapter 19 for defined terms.

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	2,900	2,900
3.2 Credit standby arrangements - line of credit	US\$40 mil*	US\$5.4 mil

* Generally, the borrowing base of the line of credit, as determined by the bank, approximates to the Company's investments in oil and gas properties, up to a maximum as reflected above. For further details please refer to the Company's recently released Annual Report.

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	-
4.2 Development	-
Total	-

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	2,466	327
5.2 Deposits at call	55	3
5.3 Bank overdraft		
5.4 Other (provide details): Security deposit	30	30
Total: cash at end of quarter (item 1.22)	2,551	360

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	Palo Pinto County- Lone Camp Project	Working Interest	100%	0%
6.2 Interests in mining tenements acquired or increased				

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities <i>(description)</i>	9	unquoted		
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	*Ordinary securities	118,798,222	118,798,222		Fully paid
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	*Convertible debt securities <i>(description)</i>	4,300,000	Unquoted, 11% and 12% coupon, 18 month terms, various expiry dates		
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	(1,250,000)			
7.7	Options <i>(description and conversion factor)</i>	19,350,000		<i>Exercise price</i> various	<i>Expiry date</i> various
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	Unsecured notes (<i>totals only</i>)		
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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act [or other standards acceptable to ASX](#) (see note 5).
- 2 This statement does ~~/does not~~* (*delete one*) give a true and fair view of the matters disclosed.



Sign here:

(~~Director~~/Company secretary)

Date: ...31 January 2009.....

Print name: David Ballantyne.....

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.