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ACN 111 823 762

ADVANCE ENERGY LIMITED

ACN 111 823 762

QUARTERLY REPORT

31 MARCH 2009

OVERVIEW

Advance Energy Limited, ("AVD") is pleased to present the following highlights for the quarter ended 30 April 2009:

- Revenues received for the quarter were in the order of US$700,000;
- The Company, in conjunction with Hibernia Resources, LLC (US Operations Manager) undertook a detailed lease operating expense reduction program whereby all reoccurring field expenses were put to bid to insure the most competitive pricing. This resulted in a reduction of fixed operating costs of approximately 33% moving forward;
- The Williams 9-2 well, situated on the Company's Key East Project in Martin County, Texas, was successfully put on production in January 2009;
- Further reduced bank debt, up to the date of this report, from US$5.4m to US$5.0m; and
- Re-scheduled the development plan for the Company's assets in order to take advantage of the falling prices for goods and services. Currently the Company is planning on June 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 55 BOEPD net to the Company.

Mother Lode Phase II

The Mother Lode II project is currently producing 32 BOEPD net to Advance. The Williams 9-2 well was put on production in January 2009 and is currently producing on pump at a rate of 56 BO and 40 MCF and should increase as the frac load is recovered.

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

Palo Pinto-Possum Kingdom Project

Production from the Possum Kingdom project remains stable at approximately 335 MCFEPD. Several minor repairs were performed on these assets in January 2009 but all other development plans for these assets have been tabled until the prices for goods and services stabilise.

For further information contact:

Mr Anthony Short (Managing Director) or Mr David Ballantyne (Company Secretary)

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Facsimile: 08 9486 1011

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.

Rule 5.3

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

ACN	Quarter ended ("current quarter")
111 823 762	31 March 2009

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter $A'000	Year to date (3 months) $A'000
1.1	Receipts from product sales and related debtors	1,031	1,031
1.2	Payments for (a) exploration and evaluation		
	(b) development	(110)	(110)
	(c) production	(856)	(856)
	(d) administration	(130)	(130)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	2	2
1.5	Interest and other costs of finance paid	(219)	(219)
1.6	Income taxes paid		
1.7	Other (provide details if material)		
	Net Operating Cash Flows	(281)	(281)
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	-	-
1.9	Proceeds from sale of: (a)prospects	-	-
	(b)equity investments		
	(c)other fixed assets		
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material) Asset Sale Costs	(295)	(295)
	Net investing cash flows	(295)	(295)
1.13	Total operating and investing cash flows (carried forward)	(577)	(577)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(577)	(577)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(295)	(295)
1.18	Dividends paid	-	-
1.19	Other : Reduction MTM Other Capital Raising Costs	(685)	(685)
	Net financing cash flows	(980)	(980)
	Net increase (decrease) in cash held	(1,557)	(1,557)
1.20	Cash at beginning of quarter/year to date	2,421	2,421
1.21	Exchange rate adjustments to item 1.20	52	52
1.22	**Cash at end of quarter**	916	916

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	39
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

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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 of US$637,000 in relation to its hedging programme. This effectively represents the amount that would have been paid to AEPI at 31 March 2009 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 number illustrates the benefits of a sound hedging position in a volatile energy environment.

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$5.2 mil

* This facility is held with Sterling Bank in the US. It bears interest at US Prime plus 1% and is secured against the Group's oil and gas properties. The facility was renewed in March 2008 for a further three year period.

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	-
4.2	Development	200
	Total	**200**

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	832	2,466
5.2	Deposits at call	54	55
5.3	Bank overdraft		
5.4	Other (provide details): Security deposit	30	30
	Total: cash at end of quarter (item 1.22)	916	2,551

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				
6.2	Interests in mining tenements acquired or increased				

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** *(description)*	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** *(description)*	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	-			
7.7	**Options** *(description and conversion factor)*	19,350,000		*Exercise price* various	*Expiry date* various
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	**Debentures** *(totals only)*				
7.12	**Unsecured notes** *(totals only)*				

+ See chapter 19 for defined terms.

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: Date: ...30 April 2009......
(~~Director~~/Company secretary)

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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