Advance Energy Limited

ACN 111 823 762

Market Update – 16th September 2010

Recent and Forthcoming Activities

- Overhead reduction – Administrative cost reduction including significant reduction in director fees,
- Options issue – Fully underwritten rights issue to raise approx $200,000
- Production enhancement – Oil flows increasing as a result of the June 2010 remedial workover of Cazares#2 and Holt#6 procedure
- Debt Facility – Available borrowing base increased to $4.3m
- Asset divestment and debt reduction – In accordance with the business model of divesting mature assets, Advance is commencing asset marketing with a view to partial divestment by end of 2010

Asset Divestment

- Buyers typically base bid prices on several factors including:
  - Independent valuations – See analysis overleaf
  - Production vs reserves/development potential
  - Recent transaction multiples - $/BOE in ground and $/BOEPD
  - Outlook for oil and gas – Forward oil and gas curve

Proven Assets – Independent Valuation

- WD Von Gonten (Independent valuer for Sterling Bank) has prepared a divestment valuation effective 1 August 2010 based on NYMEX prices
- Valuation is Discounted Cash Flow Valuation at 10% Discount Rate (PV10)
- WD Von Gonten is recognised as a conservative valuer and reserve report excludes additional PBP and PUD reserves recognised by operator
- Valuation excludes Probable and Possible resources

WD Von Gonten - Unrisked PV10 of Proven Net Assets (US$000)

Project	Martin West	Possum Kingdom	Mother Lode 1	**Total**
Proved Developed Producing	3,257	1,192	3,193	7,642
Proved Behind Pipe	1,998	953	5,257	8,208
Proved Undeveloped	7,084	1,405	3,092	11,581
	12,339	**3,550**	**11,542**	**27,431**

Sales Process

Indicative Timeline for Divestment(s)

- Execute Marketing Agreements with PLS Inc – August 2010 COMPLETE
- Review by Independent Valuer – Early September 2010 COMPLETE
- Complete Marketing Teasers – October 2010
  - PLS will contact potential bidders who may be interested and have access to funding
  - Disseminate Seller-approved information to potential buyers
- Letters of Intent (Conditional Bids) Deadline – October 2010
- Data Room opens – 1 October 2010
- Negotiation with preferred bidders – November 2010
- Latest closing date – mid-December 2010