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ADVANCE ENERGY LIMITED

ACN 111 823 762

QUARTERLY REPORT

31 DECEMBER 2011

CORPORATE OVERVIEW

New Opportunities

The Company continues to seek and consider investment opportunities in the oil and gas sector.

Share Purchase Plan

The Company opened a Share Purchase Plan entitling registered shareholders the opportunity to purchase up to $15,000 in shares at $0.006 (0.6 cents) per share. The Offer remains open until 11th February 2012.

OPERATIONS OVERVIEW

Mother Lode Phase 3 Project

No further development activities have been undertaken on the Mother Lode III project.

SUBSEQUENT EVENTS

Variation of Convertible Note Terms

The Company despatched a Notice of Meeting to the holders of Listed Convertible Notes (Notes) outlining its proposal to vary the terms of the Trust Deed as follows:

The Company is seeking to change the conversion rate of the Notes from the greater of $0.08 and 85% of the Volume Weighted Average Price (VWAP) of shares to the lesser of $0.08 and 85% of VWAP. Given the recent share price, the Board considered it appropriate to re-set the conversion rate so that Noteholders had the opportunity to convert at a price that was not limited by a floor price that was significantly higher than the prevailing share price.

Furthermore, the Board seeks Noteholder approval for the authority to meet interest payments by the issue of fully-paid ordinary shares at 85% of the five-day VWAP of shares prior to the interest payment date. This would give the Company greater flexibility and the ability to preserve cash to pursue new opportunities.

A meeting of Noteholders will occur at 10am on Wednesday 15th February 2012 at the Company's Office. The Resolution to vary the terms of the Trust Deed will need to be approved by the holders of 75% of the aggregate value of the Notes. The variation of the Trust Deed will then need to be approved at a general meeting of shareholders.

LIKELY EVENTS

Capital Raising

Advance has also indicated its intention to undertake a further capital raising to accelerate the project identification program and to provide additional working capital. At the time of preparing this report, this corporate action had not been completed. Further details will be provided in the forthcoming Notice of Meeting outlining the proposed variation of the Trust Deed.

For further information contact:

Mr Anthony Short (Managing Director)

Telephone: 08 9429 2900
Facsimile: 08 9486 1011

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, 01/06/10.

Name of entity

Advance Energy Limited

ABN	Quarter ended ("current quarter")
62 111 823 762	31 December 2011

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (12 months) $A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	-	-
	(b) development	(3)	(225)
	(c) production	-	-
	(d) administration	(146)	(869)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	4	55
1.5	Interest and other costs of finance paid	(159)	(725)
1.6	Income taxes paid	-	-
1.7	Other- Lead manager fee (listed notes)	-	-
	Net Operating Cash Flows	(303)	(1,764)
	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	(6)	(6)
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	Net investing cash flows	-	-
1.13	Total operating and investing cash flows (carried forward)	(310)	(1,770)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(310)	(1,770)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares and notes	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(209)	(642)
1.18	Dividends paid	-	-
1.19	Other (over subs & capital raising expenses)	-	(35)
	Net financing cash flows	(209)	(676)
	Net increase (decrease) in cash held	(481)	(2,447)
1.20	Cash at beginning of quarter/year to date	625	2,545
1.21	Exchange rate adjustments to item 1.20	(8)	-
1.22	**Cash at end of quarter**	98	98

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	60
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

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

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

+ See chapter 19 for defined terms.

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	-	-
3.2	Credit standby arrangements- line of credit	US$40 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 2009, revised in August 2010 and expires in March 2012.

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	-
4.2	Development	-
4.3	Production	-
4.4	Administration (including interest)	130
	Total	**130**

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	98	625
5.2	Deposits at call	-	-
5.3	Bank overdraft		
5.4	Other (provide details): Security deposit	30	30
	Total: cash at end of quarter (item 1.22)	128	655

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				

+ See chapter 19 for defined terms.

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-capital returns, buy-backs or redemptions				
7.3	**+Ordinary securities**	217,676,915	217,676,915		Fully paid
7.4	Changes during quarter (a) Increases-through issues (b) Decreases-capital returns or buy-backs				
7.5	**+Convertible debt securities** *(description)*	6,675,000	6,675,000	9.5% coupon, expires Dec 2014.	
7.6	Changes during quarter (a) Increases through issues (b) Decreases-maturing or conversion of securities				
7.7	**Options** *(description and conversion factor)*	202,931,748	202,931,748	0.03	31/08/2012
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter			*Exercise price*	*Expiry date*
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 4).

2 This statement does /does not* *(delete one)* give a true and fair view of the matters disclosed.

Sign here: .... Date: ..31 January 2012.......
(Director/Company secretary)

Print name: A Jobling

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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