Advance Energy Limited

ACN 111 823 762

Investor Presentation – 10 September 2012

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About Advance Energy

- ASX Listed: Code AVD
- Historically, a developer and producer in Permian Basin of US
- Changing focus to high margin geographic area with significant undiscovered and under-developed gas reserves
- Acquired Celiastad Pty Ltd whose subsidiary, Epic Energy Ukraine Ltd, has entered a Joint Activity Agreement (JAA) with State-owned *ZakhidUkrGeologiya* (ZUG)
- Earning a 70% interest in 19km^2 Ortynytska Special Permit (50% post-payback) in Western Ukraine
- Planning re-entry of 3,533m Ortynytska -3 well drilled but not completed in 1993-4
- Field is on-trend with and 5km south of Zaluzhany Field (134 BCF produced from 27 wells up to 1993)
- High gas price (~USD12/MCF) and low royalty environment with significant demand for gas

Capital Structure and Major Holders

Security	Number
Issued Shares (AVD) [1]	911,192,886
Converting Performance Shares	9
Listed Convertible Notes (AVDG) [2]	6,675,500 [3]

1 Includes 500m shares to be issued to vendors of Celiastad Pty Ltd

2 Mature 31 December 2014 paying interest at 9.5% pa or as shares at 89% of VWAP Convertible on 30 June or 31 December

3 Holders of 96% of Listed Convertible Notes have agreed not to convert before 30 June 2013

Top Shareholders Post Acquisition		
HSBC Custody Nominees	63,828,124	7.00%
Melbor Pty Ltd	50,000,000	5.49%
Emerald Nominees Pty Ltd	40,000,000	4.39%
Portinfer Capital Ltd	33,000,000	3.62%
Confadent Ltd	25,000,000	2.74%
Nordwand Investments Pty Ltd	25,000,000	2.74%
Bogart Group Ltd	25,000,000	2.74%
Odin Energy Ltd	23,750,000	2.61%
Michael Thomas Musk & Anne Catherine Musk	22,003,000	2.41%

Board and Management

Board

• Anthony Short *Managing Director*	20 years finance and board experience in the creation and management of listed mining and O&G companies
• Gordon Sklenka *Non-Executive Director*	Corporate finance specialist with 18 years broking, project finance, M & A experience
• Kip Plankinton *Non-Executive Director*	Oil and Gas Lawyer based in US

Key Management

• Steve Fast *In-Country Manager*	Fluent Russian speaker, 11 years O&G experience in Kazakhstan, Houston and Russia
• Doug Jendry *Technical Consultant*	35 years O & G experience, former Director of Carpathian Resources, Impress Energy
• Gennady Varitsky *Local Affairs*	Fmr Soviet Union and Ukraine Navy, Lawyer and Founder of Epic Energy Ukraine Ltd
• Alistair Jobling *Company Secretary*	15 years commercial and financial management experience MBA, Grad Dip (App Fin)

Carpathian Basin - Overview

- North Carpathian Basin lies to the north of the collision suture between the African-Apulian and Eurasian Plates
- Foredeep is principal gas-bearing zone with multiple horizons to a depth of 5,000m
- USGS[1] estimates 20-175 fields (mean 76) remain to be discovered ranging from 6-400 BCF (mean 20 BCF)

[1] US Geological Survey Assessment 1999

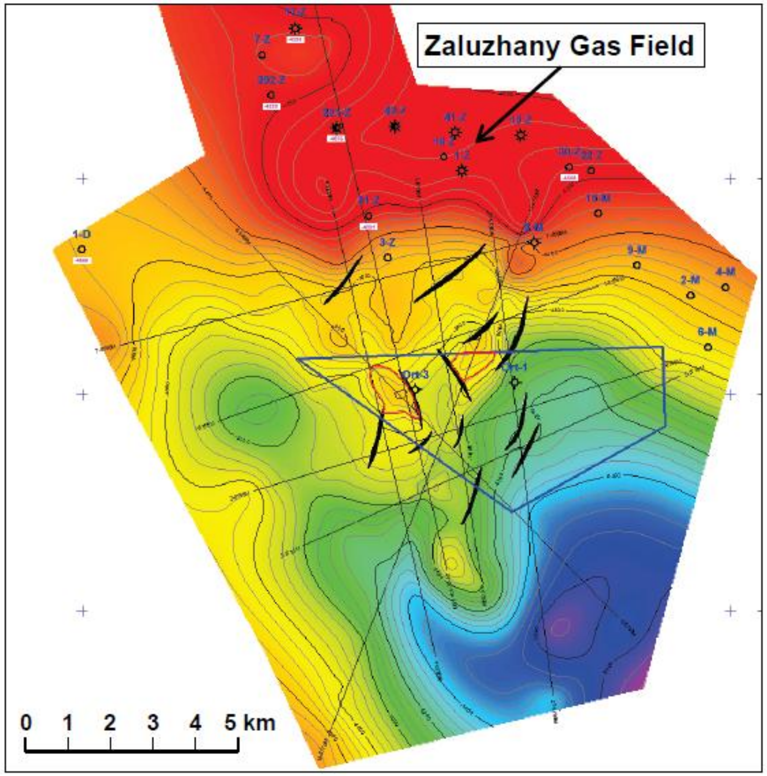
Ortynytska Location and Infrastructure

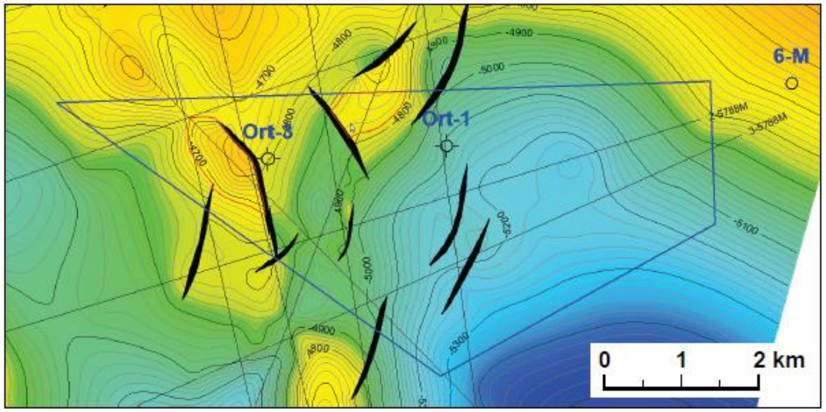
- Located in Western Ukraine, approximately 5km south of Zaluzhany gas/ condensate field and 50km from city of L'viv (pop: 760,000)
- Close to dense network of export pipeline infrastructure

Source: Naftogaz, Energy Charter Secretariat report, 2002

Proximity to Zaluzhany Field

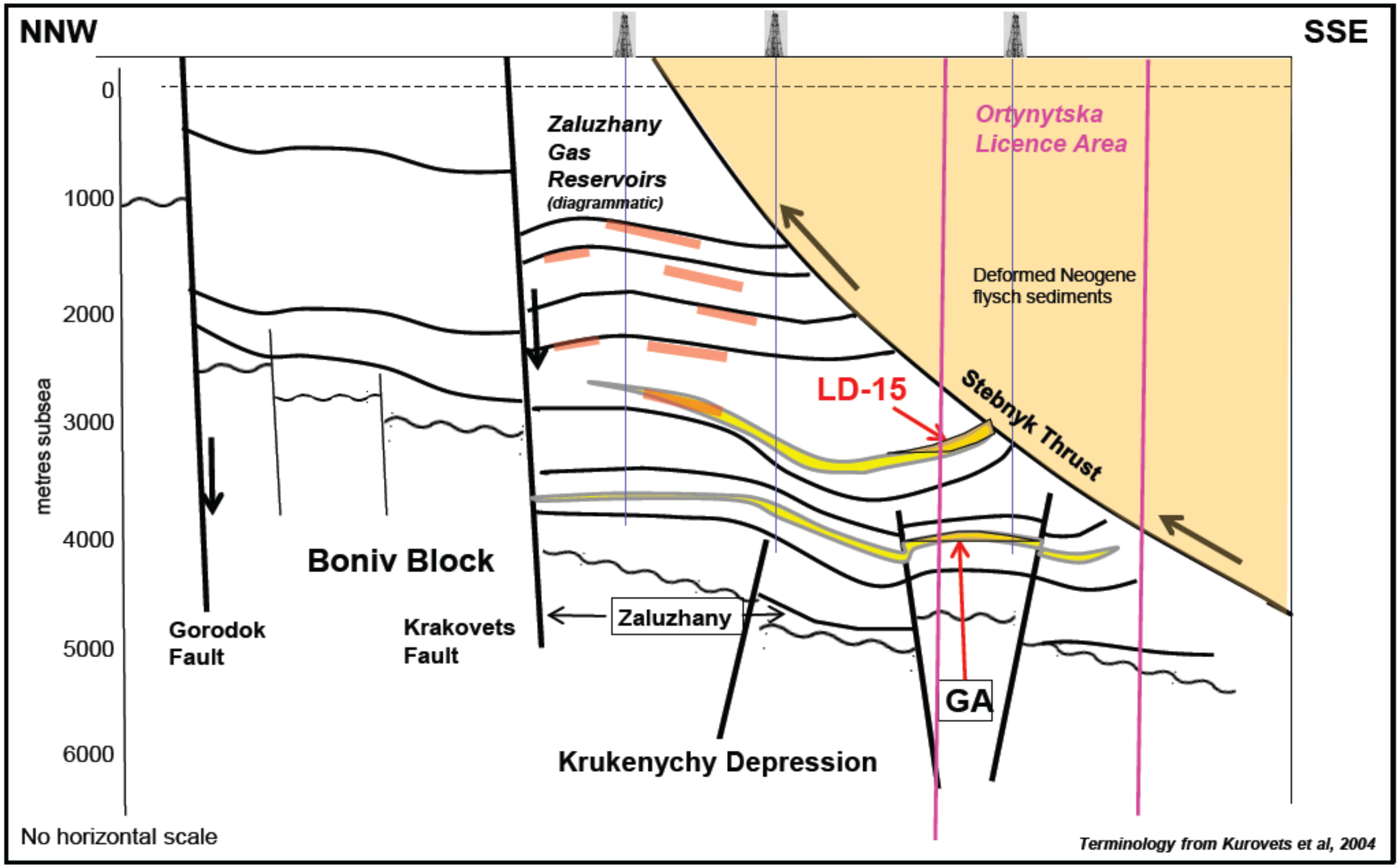
- Commenced production 1975 (3 wells) and peaked in 1993 (27 wells)
- Total recoverable reserves estimated at 1 TCF with 135 BCF produced up to 1993 from **13 producing horizons**
- Typical LD-15 initial production was ~1.4 mmcfgd, but more recent completion techniques should enable higher IP
- Condensate Gas Ratio (CGR) 7 bbl:mmcfg (API = 41.7°)





Principal Gas Bearing Horizons

- Principal horizon on license area is LD-15 sand with 2 x lower GA sands
- Zaluzhany field to north contains up to 13 gas-bearing horizons
- Shallower horizons in license area cut out by Stebnyk Thrust



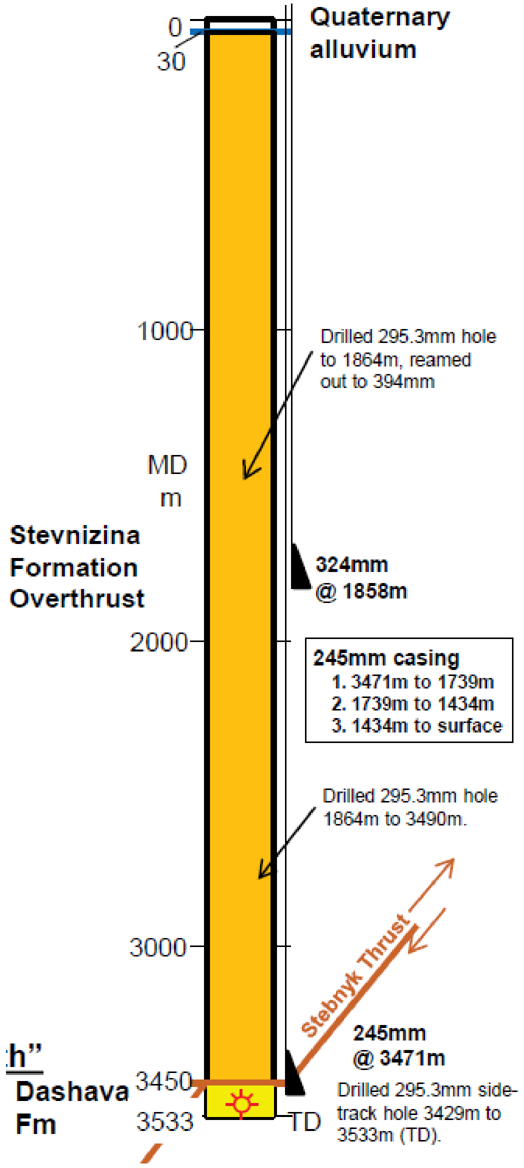
Ortynytska-3 Well

- Ortynytska-3 Well was drilled to 3,533m in 1993-4 by ZUG
- Well penetrated the LD-15 sand and operator detected gas at 3,533m but tool stuck and bore was plugged with 80m of cement
- Operator did not complete well due to low gas prices, lack of funds and changing ownership structure but installed wellhead
- Well has been pressure-tested for integrity
- Advance plans to undertake re-entry and to sidetrack from above cement plug
- Drill pad and access road complete

Ortynytska-3 Wellhead (July 2012)

Ortynytska-3 Well Profile

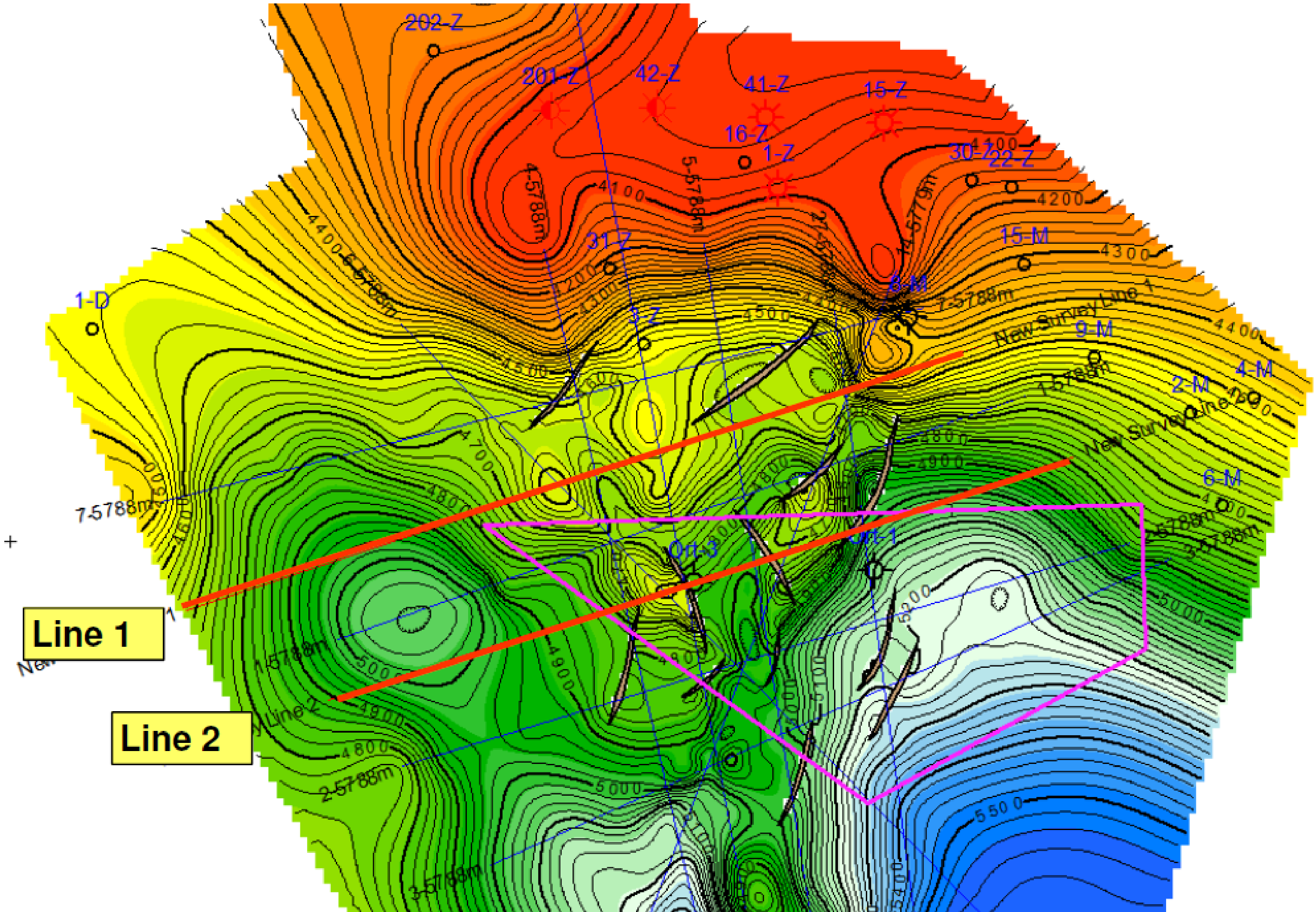
- Well was drilled almost 20 years ago in a low-technology/ budget environment
- TD for Ortynytska-3 was 5,500m with the intention of testing LD-15 and lower GA sands
- Well was sidetracked from 3,429m to 3,533m before mud weight dropped to 11ppg indicating gas kick
- Average porosity 14%
- Current completion techniques expected to make light work of challenges from 20 years ago



Proposed 2D Seismic Shoot

advance energy LTD

Advance to conduct 20km 2D seismic shoot designed by ISIS Petroleum Consultants. Expected to define sidetrack and facilitate reserve report



Why is the Ukrainian Gas Price so high?

- Although a significant gas producer, Ukraine imports 72% of its domestic gas requirements, primarily from Russia
- Russia supplies Europe with 40% of its gas imports, most of which transit Ukraine, but is looking to reduce its dependence on this route by constructing gas pipelines to the north and south
- In January 2009, Russia froze supplies to Europe for three weeks accusing Ukraine of siphoning off gas in transit.
- Under an agreement, Ukraine executed a 10 year ‘take or pay’ agreement to purchase to 52 bcm of gas per annum from Gazprom at an agreed price formula
- The price formula relates to the price of oil and has increased from around USD300/thousand cubic metres (MCM) is currently USD425/MCM (approx USD12/mcf)
- Ukraine is seeking to reduce either the price it pays or the volume it is required to purchase
- Russia may be willing to revise the agreement, but is likely to require Ukraine to make strategic concessions such as allowing Gazprom to take over the transit pipelines, entering a Russian-led customs union or granting Russia an extension on the lease of its Black Sea port at Sevastopol which is due to expire in 2017
- Prices are likely to stay at these levels for the forseeable future

Capital Raising and Use of Funds

- Advance to offer 600m shares at $0.005 (0.5 cents) to raise $3m under Prospectus
- Approved by shareholders at General Meeting on 22 July 2012
- Holders of Convertible Notes can only convert on 30 June and 31 December and largest holders have agreed to defer conversion until at least 30 June 2013

Use of Funds	A$
1. Payment to Vendor of Epic Energy	50,000
2. Expenditure with respect to Ortynytska Project including:	
a) Shoot & interpret 2D Seismic	335,000
b) Re-entry Design and site preparation	150,000
c) Re-entry of Ortynytska-3 well	1,500,000
d) Connection to gas pipeline	100,000
e) Work program contingency	193,658
f) Ukraine Office Expenses and Technical Team (9	150,000
g) Travel to Ukraine and accommodation	60,000
3. Perth Office expenses and fees (9 months)	250,000
4. Costs of Offer	211,342
TOTAL	3,000,000

Why Ukraine?

- Established gas province with several western companies, including Hawkley Oil & Gas (HOG) and Aleator Energy (AWD) successfully operating
- Significant domestic and international demand with excellent pipeline infrastructure
- High gas prices (~USD12/mcf) and favourable fiscal regime with royalties >USD1/mcf
- Reducing corporate tax- 19% from 1 Jan 2013 and 16% from 1 Jan 2014
- AVD has established excellent in-country relationships through the previous owner of Epic and Advance's in-country manager, Steve Fast

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