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ADVANCE ENERGY LIMITED

ACN 111 823 762

QUARTERLY REPORT

3O SEPTEMBER 2012

CORPORATE OVERVIEW

Completion of Acquisition of Ukrainian Gas Project

During the quarter, Shareholders approved the acquisition of Celiastad Pty Ltd and the issue of up to 600,000,000 shares to raise $3,000,000. The Company subsequently completed due diligence on both Celiastad and the Ukrainian entity, Epic Energy Ukraine Ltd, which is the participant in the Joint Activity Agreement over the Ortynytska Prospect and finally issued the 500,000,000 vendor shares on 26th September 2012.

Second Ukrainian Asset

As part of its due diligence, it was discovered that Epic also had interests in a second Ukrainian asset. Epic has previously executed Joint Activity Agreements (JAAs) with KrymGeologiya, the state geological body of the Autonomous Republic of Crimea, to fund the development of the Balochnya oil field which is held by a 64km2 production license. Although technically in default of its JAA commitments, Advance has been advised that the license remains in good standing and that the JAA partner is willing to re-activate the JAAs as and when Advance has acquired sufficient information about the project.

The License is located in the Kerch Peninsula in the eastern part of the Crimean Peninsula. The Kerch Peninsula is in the Tertiary Foredeep of the Azov-Kuban Basin and is a prolific area of oil and gas discovery and production. The US Geological Survey estimates that the mean undiscovered resources of the Foredeep and Foreland slope of the Azov-Kuban Basin are 218 million barrels.

Capital Raise

The Company released a Prospectus to raise up to $3,000,000 by the issue of 600,000,000 at 0.5 cents per share and undertook an investor roadshow. As at the end of the quarter, the company had yet to issue any shares under the prospectus but has until 20 November 2012 to complete the offer.

Expiry of Options

During the quarter, the remaining options issued by the Company expired. The options were offered by way of rights issue in 2010, were listed on ASX with the code AVDOA and were exercisable at $0.03 on or before 31 August 2012.

Subsequent Events

There have been no significant events subsequent to the end of the quarter.

Anticipated Events

Advance is continuing with its capital raising activities and its first priority will be to finalise the scope and cost of the proposed 2D seismic shoot on the Ortynytska project.

For further information contact:

Mr Anthony Short (Managing Director)

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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	30 September 2012

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (9 months) $A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	-	-
	(b) development	-	(48)
	(c) production	-	-
	(d) administration	(20)	(196)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	2	4
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other	22	22
	Net Operating Cash Flows	4	(218)
	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	(71)	(71)
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	Net investing cash flows	(71)	(71)
1.13	Total operating and investing cash flows (carried forward)	(67)	(289)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(67)	(289)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares and notes	40	333
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(16)	(118)
1.18	Dividends paid	-	-
1.19	Other (over subs & capital raising expenses)	(5)	(13)
	Net financing cash flows	19	202
	Net increase (decrease) in cash held	(48)	(87)
1.20	Cash at beginning of quarter/year to date	60	98
1.21	Exchange rate adjustments to item 1.20	-	1
1.22	**Cash at end of quarter**	12	12

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	-
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	-	-

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	12	60
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)	42	90

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.

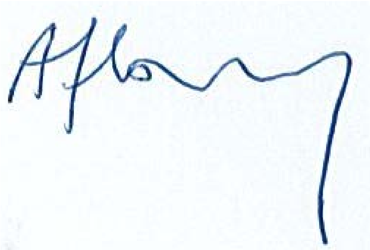
		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	**Preference +securities** *(description)*	9	Unquoted		
7.2	Changes during quarter (a) Increases through issues (b) Decreases- capital returns, buy-backs or redemptions				
7.3	**+Ordinary securities**	911,192,886	911,192,886		Fully paid
7.4	Changes during quarter (a) Increases- through issues (b) Decreases- capital returns or buy-backs	570,794,736	570,794,736		
7.5	**+Convertible debt securities** *(description)*	6,675,500	6,675,500	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)*				
7.8	Issued during quarter				
7.9	Exercised during quarter	27			
7.10	Expired during quarter	202,931,721	202,931,721	*Exercise price* 0.03	*Expiry date* 31/08/2012
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 October 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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