Suite 2, 16 Ord Street
West Perth WA 6005
PO Box 1779
West Perth 6872

abn: 65 111 823 762
tel: +61 8 9429 2900
fax: +61 8 9486 1011
advanceenergyltd.com.au

ASX ANNOUNCEMENT

10 December 2012

Option Entitlement Offer and Option Placement

Advance Energy has resolved to undertake a non-renounceable entitlement issue of options (Entitlement Offer) in conjunction with a placement of options (Option Placement).

The options will be offered at $0.001 per option and will be exercisable at $0.005 on or before 31 December 2014 (Options).

The Entitlement Offer will be on the basis of one Option for every three shares held on the record date. The Company currently has 1,022,915,843 shares issued and therefore up to 340,971,947 Options will be offered under the Entitlement Offer.

The Option Placement will comprise the offer of up to 500,000,000 Options to sophisticated investors. The Options will be issued with the same terms as those offered under the Entitlement Offer. The Option Placement will be subject to shareholder approval and a notice of meeting will be dispatched to shareholders as soon as practicable.

The Option Placement and Entitlement Offer will raise up to $840,971.95 if fully subscribed and these funds will be used to progress the Company's Ukrainian oil and gas assets and to acquire and develop interests in new licenses in Ukraine.

Energy Capital Partners has been appointed Lead Manager to the Option Placement and the Entitlement Offer Shortfall.

The Option Expiry Date coincides with the maturity date of the Company's listed convertible notes (AVDG). If the Entitlement Offer and Option Placement are fully subscribed and are all exercised, will result in over $4.2m in additional funds.

An Appendix 3B relating to the Entitlement Offer is attached. The Company will announce the proposed timetable at the earliest opportunity.

FOR FURTHER INFORMATION CONTACT

Mr Anthony Short (Managing Director)
Telephone: 08 9429 2900
Facsimile: 08 9486 1011

Mr Tom Young (Lead Manager)
Telephone: 08 9429 2904
Email: tom@ecapitalpartners.com.au

Rule 2.7, 3.10.3, 3.10.4, 3.10.5

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003, 24/10/2005.

Name of entity

ADVANCE ENERGY LIMITED

ABN

62 111 823 762

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

1	+Class of +securities issued or to be issued	Options
2	Number of +securities issued or to be issued (if known) or maximum number which may be issued	Maximum of 340,971,947
3	Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion)	Options exercisable at $0.005 on or before 31 December 2014

+ See chapter 19 for defined terms.

4	Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities? If the additional securities do not rank equally, please state: • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment	No
5	Issue price or consideration	$0.001
6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	Working capital and evaluation of Ukrainian oil and gas assets
7	Dates of entering +securities into uncertificated holdings or despatch of certificates	On or around 25 January 2013

		Number	+Class
8	Number and +class of all +securities quoted on ASX (*including* the securities in clause 2 if applicable)	(a) 1,022,915,843 (b) 6,675,500 (c) 340,971,947	(a) FPO (b) Convertible Notes (c) Options

+ See chapter 19 for defined terms.

		Number	+Class
9	Number and +class of all +securities not quoted on ASX (*including* the securities in clause 2 if applicable)	9	CPS

10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	No change

Part 2 - Bonus issue or pro rata issue

11	Is security holder approval required?	No
12	Is the issue renounceable or non-renounceable?	Non-renounceable
13	Ratio in which the +securities will be offered	1 option for every 3 shares held
14	+Class of +securities to which the offer relates	Options
15	+Record date to determine entitlements	On or around 20 December 2012
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	N/A
17	Policy for deciding entitlements in relation to fractions	In the calculation of any entitlement, fractions will be rounded down to the nearest whole number
18	Names of countries in which the entity has +security holders who will not be sent new issue documents Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.	This offer will only be made available to shareholders in Australia and New Zealand
19	Closing date for receipt of acceptances or renunciations	14 January 2013

+ See chapter 19 for defined terms.

20	Names of any underwriters	N/A
21	Amount of any underwriting fee or commission	N/A
22	Names of any brokers to the issue	N/A
23	Fee or commission payable to the broker to the issue	N/A
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of +security holders	N/A
25	If the issue is contingent on +security holders' approval, the date of the meeting	N/A
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	On or around 22 December 2012
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	N/A
28	Date rights trading will begin (if applicable)	N/A
29	Date rights trading will end (if applicable)	N/A
30	How do +security holders sell their entitlements *in full* through a broker?	N/A
31	How do +security holders sell *part* of their entitlements through a broker and accept for the balance?	N/A

+ See chapter 19 for defined terms.

32	How do +security holders dispose of their entitlements (except by sale through a broker)?	N/A
33	+Despatch date	On or around 25 January 2013

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of securities
(*tick one*)

(a) ☒ Securities described in Part 1

(b) ☐ All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities N/A

Tick to indicate you are providing the information or documents

35 ☐ If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders

36 ☐ If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over

37 ☐ A copy of any trust deed for the additional +securities

+ See chapter 19 for defined terms.

Entities that have ticked box 34(b)

38	Number of securities for which +quotation is sought	
39	Class of +securities for which quotation is sought	
40	Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities? If the additional securities do not rank equally, please state: • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment	
41	Reason for request for quotation now Example: In the case of restricted securities, end of restriction period (if issued upon conversion of another security, clearly identify that other security)	

		Number	+Class
42	Number and +class of all +securities quoted on ASX (*including* the securities in clause 38)		

+ See chapter 19 for defined terms.

Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.

- There is no reason why those +securities should not be granted +quotation.

- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

  Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.

- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here: Date: 10 December 2012

(~~Director~~/Company secretary)

Print name: A Jobling