ADVANCED ENGINE COMPONENTS LIMITED
A.C.N. 009 081 770

22 HASLER ROAD
HERDSMAN 6017
WESTERN AUSTRALIA
TEL +618 9244 1166
FAX +618 9244 1175
www.advancedengine.com

Our Ref: ASX000054

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Australian Stock Exchange
ACE000055

Company Announcements Office
The Australian Stock Exchange Limited
Exchange Centre
20 Bond Street
Sydney NSW 2000

By Facsimile: 1300 300 021

Dear Sir/Madam

MARKET UPDATE

The Directors wish to respond to recent press articles regarding the position of Advanced Engine Components Limited "the Company".

The Directors confirm that the Company's operations are continuing and that it continues to operate under the management of the Directors.

The shares previously owned by New Tel Limited as well as the intercompany loan with New Tel Limited were property subject to a mortgage entered into by New Tel Limited. Under the terms of the mortgage by New Tel Limited, title to the assets were transferred to LIM ASIA ARBITRAGE FUND INC "LIM" on the 29th of November 2002.

Persuant to this transfer, the Company understands that LIM is now the mortgagee in possession of 109,000,000 shares and the intercompany debt. The company has, and continues to dispute the quantum of the debt and therefore to make any statement as to the value of this debt would prejudice the Company's position in negotiation of the amount. The Directors have met with LIM and are of the understanding that the debt will not be called in the foreseeable future.

Regarding comments made on the Company's cash position, the Directors wish to advise that it is inappropriate to disclose this information without providing a full position of the Company via its Financial Statements.

The Company has been suspended from trading on the ASX due to its failure to lodge its Annual Financial Report. The Company has been unable to finalise its Annual Financial Report due to the changing position of its prior involvement with New Tel Limited. The Company has continued towards finalising its accounts and expects to lodge its Annual Report with the Australian Securities and Investments Commission as soon as practicable.

The Company continues to operate under its contract with IRISBUS which provides ongoing revenues to the Company to meet its operational requirements. The Company will also record revenues from its supply of Bullet supercars following ADR approval as disclosed to the market earlier this month.

The Directors also wish to confirm that Peter Malone and Craig Piercy are no longer involved with the operations or activities of the Company.

Yours Sincerely

Jamie Scoringe
Company Secretary