

**ADVANCED ENGINE COMPONENTS LIMITED**

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26 February 2004

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

By: e-lodgement

Dear Sir/Madam

Re: Sale of Bullet Division

The Company announces that Bullet Performance Products Pty Ltd, the purchaser of the Bullet division in August 2003, advised AEC that there had been a technical breach to the Sale of Business Agreement in respect of obtaining certification pursuant to ADR 79/00. As a result, on the 9th of January 2004 AEC received notification that they were in fact terminating the Sale Agreement.

On 25 February 2004, AEC accepted the cancellation notice after due consideration, and entered into a memorandum of understanding for the sale of the business to Weilian Pty Ltd A.C.N. 105 731 342 or its nominee. In terms of the agreement, the entire business including the intellectual property, trade marks, inventory and work-in-progress will be sold to Weilian Pty Ltd. AEC and Weilian Pty Ltd both agree to utilise their respective best endeavours to settle the sale and to transfer the business assets on 13 March 2004 and the agreed sales price of \$625 000 is payable in cash on the same day.

The directors believe that this agreement is on substantially better terms and conditions than those of the cancelled sale.

Yours sincerely

**NERIDA SCHMIDT
COMPANY SECRETARY**