



ADVANCED ENGINE COMPONENTS LIMITED

ACN: 009 081 770



Quality
Endorsed
Company
ISO 9001 Lic: 13706
SAI Global

14 ENERGY STREET
PO BOX 3126
MALAGA 6090
WESTERN AUSTRALIA

TEL: +61 8 9209 6900
FAX: +61 8 9209 6999

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FIRST COMMERCIAL SALES TO FAW

Advanced Engine Components Limited ("ACE") is pleased to announce the commencement of commercial sales to First Auto Works ("FAW") in China.

FAW has placed an order for in excess of A\$400,000 of ACE's Natural Gas Vehicle System ("NGVS") kits. The NGVS kits are to be delivered progressively over the next three months.

This is the beginning of FAW's requirement, announced 25 October 2005, that ACE has the capability to supply approximately A\$500,000 worth of NGVS kits on a monthly basis.

In preparation, for what is understood to be the first of what will become rolling monthly orders, FAW has requested ACE sign Quality Assurance and After Sales Service Agreements.

The current FAW order takes the number of NGVS kits, delivered or to be delivered to FAW and Weichai in China, to 162. To put this in perspective, over a four year period ACE sold approximately 600 kits through its contract with Irisbus in France. In a period of approximately six months of initial sales ACE will have sold more than 25% of this number to China. FAW has only recently commenced marketing of its natural gas buses and trucks and Weichai has only recently completed final commissioning and certification of its natural gas engines.

ACE's deliveries to this FAW order, together with revenue to date, invoicing of completed engine development programmes for Motive Energy in Australia and Weichai in China, will result in a minimum 50% increase in sales revenue for the year ended 30 June 2006 over the previous financial year. ACE's ability to source components and assembly in China will ensure required margins are maintained.

The FAW order is an exciting development for ACE. The monthly number of kits purchased by FAW should increase progressively over the next twelve months. These FAW sales will be complimented throughout the 2007 financial year as commercial NGVS kit sales commence to Weichai in China, Motive Energy in Australia, ACP in Pakistan and Swaraj Mazda in India.

For further information please contact:

***Tony Middleton (Managing Director) on (08) 9209 6900; or
email shares@advancedengine.com***