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31 October 2007

Company Announcements Office
The Australian Stock Exchange Limited
By: e-lodgement (ASX code ACE)

September 2007 - Quarterly Activities Summary

In the first quarter of the 2008 financial year Advanced Engine Components Ltd ("ACE") has continued to build international momentum in terms of sales and demand for ACE natural gas vehicles systems ("NGVS"), patented spare parts and consumables and completed natural gas engines.

ACE's move from research and development to manufacture and marketing was independently acknowledged in September 2007 when Engineers Australia announced that ACE was a winner of the 2007 WA Engineering Excellence Awards in the category "Products and Manufacturing" for its project "Natural Gas Engine Technology for China".

Further activity highlights for the September 2007 quarter include:

- ACE, in conjunction with a Chinese engine builder, has commenced development of 240 and 260hp, 6 cylinder, natural gas ("NG") engines, using the ACE NGVS. ACE and the manufacturer also propose a 4 cylinder engine in the 140 – 160hp range. Once development of these engines is complete, expected to be early 2008, ACE will be able to offer a complete range of NG engines from 110hp to 380hp.
- Weichai Weifang Peterson Gas Engine Co Ltd ("Weichai"), of China, have commenced building Weichai/ACE NG engines for export to **Iran** with deliveries to commence in the December 2007 quarter.
- A major truck company in **China** has successfully completed road trials using the Weichai/ACE 280hp NG engine. Commercial sales quantities are expected to commence in the December 2007 quarter.
- Sales of First Auto Works ("FAW") 6.6 litre and 7.1 litre FAW/ACE NG engines to customers in **China** and throughout Asia have been increasing steadily. These sales have significantly reduced FAW's stockpile of ACE NGVS purchased in late 2006. FAW are expected to recommence ordering ACE NGVS kits early in the 2008 calendar year.
- Development of the Dongfeng Nanchong Automobile Co Ltd ("Dongfeng")/ACE 6 cylinder 230 hp and 4 cylinder 120hp NG engines are now complete. The first 230 hp engine is being prepared for trials by a customer in **Indonesia**. Dongfeng is fitting two FAW subsidiary manufactured buses with 120hp engines for export to **Thailand**.
- A Wuxi Xilian Diesel Limited Company ("Xilian")/ACE LNG engine has been successfully trialled in a FAW manufactured garbage truck for use during the **Beijing** Olympics Games. Commercial deliveries will commence in the March 2008 quarter.



- The decision on **Thailand's** Bangkok Mass Transit Authority tender for re-powering over 2,000 buses from diesel to NG has been deferred until December 2007. ACE is well positioned to benefit from the final decision as a high proportion of the short listed NG engine suppliers are using the ACE NGVS. Once let, the re-powering contract must be completed within 10 months.
- ACE's joint venture partner in **Thailand**, Monika Motors, has successfully re-powered and commissioned two trucks with NG engines using the ACE NGVS. Road trials have commenced and if satisfactorily completed, expected in the December 2007 quarter, an immediate order for a minimum 200 engines will be received.
- Union Bus Company of **Thailand** has ordered 40 NG engines, incorporating the ACE NGVS, from ACE. The engines will be delivered, prior to 31 December 2007, when the impending letter of credit has been received.
- ACE has entered into a co-operation agreement with Vialle Alternative Fuel Systems BV ("Vialle") of Holland for ACE to supply components and engineering support to Vialle's LPG conversion of 2.4 litre light duty trucks in **Korea**. ACE will be supplying components, spares and consumables to Vialle's Korean target market of in excess of 600,000 vehicles.
- Force Motors ("Force") of **India** have agreed to contribute to ACE's development costs in relation to the 2.6 litre Force/ACE NG engine. Development work has been completed with the first five NGVS kits purchased by Force to be delivered in January 2008. Subject to certification and validation by Force, purchases of commercial quantities of ACE NGVS kits will commence prior to 30 June 2008.
- In **Australia**, a Perth based transport company has committed to purchase the first 11 Isuzu/ACE LNG vehicles. The purchase commitment is subject to the Isuzu/ACE engine meeting applicable Australian emission standards. New model Isuzu vehicles will not be available to ACE for conversion and testing until early 2008. Therefore, ACE's delivery of the NG vehicles will most likely occur in the last quarter of FY 2008.
- Final road trials in **Malaysia**, of two Volvo prime movers incorporating the ACE NGVS, are continuing.
- Sales of spare parts and consumables to Irisbus in **France** continue to generate around \$250,000 in sales to ACE each quarter.
- The Thailand Bus and Truck 2007 exhibition will be held in Bangkok from 8 to 10 November 2007. A large Chinese truck manufacturer is exhibiting 5 NG powered trucks of which 4 use the Weichai/ACE NG engine.
- The Asia Pacific Natural Gas Vehicle Association (ANGVA) conference and exhibition is held every two years. The 2007 conference is to be held from 26 to 29 November 2007 in Bangkok, Thailand. ACE Managing Director, Tony Middleton, and a representative of ACE's Thai joint venture partner, Monika Motors, have been invited to present separate papers to the conference. In addition, Weichai of China will exhibit 6 NG engines 5 of which use the ACE NGVS and a Chinese truck manufacturer will display 4 NG trucks utilising the ACE NGVS.

For further information please contact Tony Middleton, Managing Director, on (08) 9209 6900; or email shares@advancedengine.com.

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001

Name of entity

ADVANCED ENGINE COMPONENTS LIMITED

ABN

67 009 081 770

Quarter ended ("current quarter")

30 September 2007

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from customers	558	558
1.2 Payments for		
(a) staff costs	(232)	(232)
(b) advertising and marketing	(4)	(4)
(c) research and development	(109)	(109)
(d) leased assets	-	-
(e) other working capital	(813)	(813)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	2	2
1.5 Interest and other costs of finance paid	(17)	(17)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net operating cash flows	(615)	(615)

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$A'000	Year to date (3 months) \$A'000
1.8 Net operating cash flows (carried forward)	(615)	(615)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(5)	(5)
(e) other non-current assets	(280)	(280)
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
Net investing cash flows	(285)	(285)
1.14 Total operating and investing cash flows	(900)	(900)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	-	-
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	650	650
1.18 Repayment of borrowings	(97)	(97)
1.19 Dividends paid	-	-
1.20 Costs associated with issue of shares	(30)	(30)
Net financing cash flows	523	523
Net increase (decrease) in cash held	(377)	(377)
1.21 Cash at beginning of quarter/year to date	611	611
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 Cash at end of quarter	234	234

+ See chapter 19 for defined terms.

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
1.24	Aggregate amount of payments to the parties included in item 1.2	87
1.25	Aggregate amount of loans to the parties included in item 1.11	-
1.26	Explanation necessary for an understanding of the transactions Salary payments to the executive director of the Company of \$37,000. Payments to Norvest Corporate Pty Ltd for corporate and secretarial services \$50,000.	

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

N/A

- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-
3.3	On 5 October 2007 the Company announced a prorata non renounceable rights issue to raise \$2.29 million before costs. The rights issue is underwritten to \$2.25 million by the Company's major shareholder 698 Capital International Ltd. The monies will be received by the Company on or before 23 November 2007.		

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

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
4.1	Cash on hand and at bank	234	611
4.2	Deposits at call	-	-
4.3	Bank overdraft	-	-
4.4	Other (provide details Commercial Finance)	-	-
Total: cash at end of quarter (item 1.23)		234	611

Acquisitions and disposals of business entities

		Acquisitions <i>(Item 1.9(a))</i>	Disposals <i>(Item 1.10(a))</i>
5.1	Name of entity	-	-
5.2	Place of incorporation or registration	-	-
5.3	Consideration for acquisition or disposal	-	-
5.4	Total net assets	-	-
5.5	Nature of business	-	-

Compliance statement

- 1 This statement has been prepared under accounting policies, which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: 

 Managing Director

Date: 31 October 2007

Print name: Antony Middleton

+ See chapter 19 for defined terms.

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 definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
3. **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.

+ See chapter 19 for defined terms.