ADVANCED ENGINE COMPONENTS LIMITED
ACN: 009 081 770

Quality System
Quality Endorsed Company
ISO 9001 Lic.13705
SAI Global

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Company Announcements Office
Australian Securities Exchange
By: e-lodgement (ASX code ACE)

30 July 2010

June 2010 - Quarterly Activities Summary

During the June 2010 Quarter Advanced Engine Components Limited ("ACE"):

(a) Completed the 1 for 3 **rights issue** raising $1.8m. The $1.8m is inclusive of $1.1m from 698 Capital International. The $1.1m was offset against accrued interest owing on their convertible notes which expired on 31 December 2009.

(b) **Received settlement** of the insurance claim arising from the disputed amount owing by Weichai Peterson Gas Engine Co Ltd ("WPGE"). ACE's total bad debt write off, for the June 2010 financial year, will be less than $100,000.

(c) The **WPGE dispute** arose from claims that the ACE NGVS had lead to high oil consumption of WPGE natural gas engines using the ACE NGVS. ACE disputed the claim. During the June 2010 quarter ACE became aware of WPGE documents advising of changes to base engine components designed to reduce abnormal oil consumption.

(d) Supplied over 70 prototype and pre-production NGVS kits to **India** for testing, validation and certification. In July 2010 ACE commenced serial production and supply of its fifth generation electronic control unit ("ECU") and injectors to India. Components for 2,200 NGVS kits are scheduled to be delivered by 31 December 2010. All Australian staff returned to a five day week to meet the ongoing demand.

(e) Signed a co-operation agreement with Norinco Equipment Co Ltd ("Norinco Equipment") of **China.** The co-operation agreement provides for ACE to receive a royalty on Norinco Equipment's gross sales revenue from sales of natural gas vehicles and engines arising from the Norinco Equipment / ACE strategic alliance agreement. The royalty is in addition to ACE sales of natural gas vehicle components, at normal commercial rates, to Norinco Equipment; related parties; and customers.

(f) Signed an agreement, with Lixun Automotive Electronic Co Ltd ("Lixun") of **China**, to develop and supply components for a Dong Feng 4 cylinder natural gas engine. Lixun will prepay ACE for the development cost.

(g) **Receipts** from customers were 100% from sales of spares and services. This reflects the dominance of sales of spares and services throughout FY2010. Total ACE revenue for FY2010 will be the lowest in five years. Sales of NGVS kits were only 6% of total sales, sales of engines represented 31% and sales of spares 63%.

(h) The majority of **cash outflow** related to purchase of long lead time components; capitalised research and development; and production, all relating to the India supply arrangements. These cash outflows will continue into the new financial year with related cash inflows not commencing until 60 days after each delivery date.

For further information contact Tony Middleton, Managing Director, on +618 9209 6900; or email shares@advancedengine.com

Rule 4.7B

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	Quarter ended ("current quarter")
67 009 081 770	30 Jun 2010

Consolidated statement of cash flows

Cash flows related to operating activities			Current quarter $A'000	Year to date (12 months) $A'000
1.1	Receipts from customers		573	2,932
1.2	Payments for	(a) staff costs	(281)	(1,141)
		(b) advertising and marketing	(26)	(63)
		(c) research and development	(87)	(198)
		(d) leased assets	-	-
		(e) other working capital	(686)	(2,659)
1.3	Dividends received		-	-
1.4	Interest and other items of a similar nature received		2	5
1.5	Interest and other costs of finance paid		(1,130)	(1,222)
1.6	Income taxes paid		-	-
1.7	Other: Receipt of R&D Tax Offset		-	627
	: Bad debts recovered		465	465
	: Government Grant received		80	130
	Net operating cash flows		**(1,090)**	**(1,124)**

+ See chapter 19 for defined terms.

		Current quarter $A'000	Year to date (12 months) $A'000
1.8	Net operating cash flows (carried forward)	(1,090)	(1,124)
	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	(18)	(18)
	(e) other non-current assets	(469)	(1,213)
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	(487)	(1,231)
1.14	**Total operating and investing cash flows**	(1,577)	(2,355)
	Cash flows related to financing activities		
1.15	Proceeds from issues of shares, options, etc.	1,804	3,004
1.16	Proceeds from sale of forfeited shares	-	-
1.17	Proceeds from borrowings (item 3.1)	-	266
1.18	Repayment of borrowings	(74)	(334)
1.19	Dividends paid	-	-
1.20	Costs associated with issue of shares	-	(34)
	Net financing cash flows	1,730	2,902
	Net increase (decrease) in cash held	153	547
1.21	Cash at beginning of quarter/year to date	675	281
1.22	Exchange rate adjustments to item 1.20	-	-
1.23	**Cash at end of quarter**	**828**	**828**

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	137
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Fee paid to Managing Director: $54,000
Fee paid to Director for director fee (Oct 08 to Dec 08): $7,500, inclusive of GST.
Fee paid to Consultant company (associate of director) for consultancy and secretarial fee: $75,000 (May 09 to Feb 10), inclusive of GST.

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	7,169	7,169
3.2	Credit standby arrangements	-	-

The Company 1 for 3 rights issue closed on 30 April 2010. $1,804,000 was raised including $1,100,000 subscribed by 698 Capital International Ltd by offset against accrued interest on the convertible notes which expired on 31 December 2009.

+ See chapter 19 for defined terms.

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	828	675
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other	-	-
Total: cash at end of quarter (item 1.23)	828	675

Acquisitions and disposals of business entities

	Acquisitions *(Item 1.9(a))*	Disposals *(Item 1.10(a))*
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: .... Date: 30 July 2010
Managing Director

Print name: Antony Middleton

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.