ADVANCED ENGINE COMPONENTS LIMITED

Quality Endorsed Company
ISO 9001 Lic. SAI Global

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23 November 2010

Mr M Piccini
Adviser, Issuers (Perth)
ASX Compliance Pty Limited

By Facsimile: (08) 9221 2020

Dear Mauro

ASX Query 19 November 2010 (ASX code ACE)

Set out below is our response to your letter dated 19 November 2010 regarding Advanced Engine Components Ltd ("ACE" or "the Company") September 2010 Quarterly Appendix 4C:

1. ***It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 4C, taking into account future administration costs, the Company may not have sufficient cash to fund its activities for the next two quarters. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?***

As announced with the Appendix 4C on 29 October 2010 Research and Development rebates, together with letter of credit facilities, are expected to assist funding for the increasing supply of components to India, France and Thailand. The Activities Summary also referred to China sales doubling in the December quarter and sales to India increasing substantially. Sales in the month of October 2010 are already 50% of the sales for the September 2010 quarter.

In addition, as announced on 22 November 2010, ACE has arranged a $600,000 working capital facility through its two largest shareholders. This facility, together with rebates/grants to be received, will provide a minimum $1.1 million of working capital to ACE in the December 2010 Quarter.

Cash inflow from past sales; increased new sales; the working capital facility; and rebates/grants to be received, ensure the Company has sufficient cash to fund its activities for the next two quarters.

2. ***Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 4C for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?***

ADVANCED ENGINE COMPONENTS LIMITED

Future operating cash flows will be dependent on timing and levels of outflows and inflows relating to sales of ACE products in India, China, Thailand and other markets together with the level of royalties received from Norinco Equipment Co Ltd.

The Company is confident the matters referred to in reply to question 1 above will be sufficient for continued operations.

3. ***What steps has the company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?***

Increasing supply of components to India and France; the Norinco Equipment Co Ltd co-operation agreement; ongoing sales and sales negotiations in China, Thailand and Egypt; and customer funded engine development programs on the Dong Feng 4 cylinder and Cummins-Shengtian 6 cylinder engines, are all steps being taken to continue to meet ACE's business objectives.

4. ***Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?***

ACE is in compliance with the listing rules including listing rule 3.1.

5. ***Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.***

ACE is compliant with listing rule 12.2.

Future short term operating results are dependent upon the level of ongoing sales of components, engines, spares and services together with the timing of inflows and outflows arising from the steps referred to at question 3 above.

The working capital facility; rebate/grant receipts; letter of credit facilities being negotiated; and improved sales will benefit ongoing cash requirements.

All of ACE's secured and interest bearing debt is provided by related parties. No existing loan facilities are expected to require repayment, other than in normal operating circumstances or by mutual consent, in the next 12 months.

For further information contact Tony Middleton, Managing Director, on +618 9209 6900, email shares@advancedengine.com or access the Company's website at www.advancedengine.com

Yours faithfully

Alicia Mitton
Company Secretary

ASX COMPLIANCE

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19 November 2010

Ms Alicia Mitton
Company Secretary
14 Energy Street
MALAGA WA 6090

By email: mittona@norvest.com.au

Dear Alicia,

Advanced Engine Components Limited (the "Company")

I refer to the Company's Quarterly Cashflow Report in the form of Appendix 4C for the period ended 30 September 2010, released to ASX Limited ("ASX") on 29 October 2010 (the "Appendix 4C").

ASX notes that the Company has reported the following.

1. Receipts from product sales and related debtors of $423,000

2. Net negative operating cash flows for the quarter of $326,000

3. Cash at end of quarter of $244,000.

In light of the information contained in the Appendix 4C please respond to each of the following questions.

1. Is it possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 4C, taking into account future administration costs, the Company may not have sufficient cash to fund its activities. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?

2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 4C for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?

3. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?

4. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?

5. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

This letter and your response may be released to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to me on **facsimile number (08) 9221 2020.** It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than **4 pm WST on Wednesday, 23 November 2010.**

If you are unable to respond by the time requested you should consider a request for a trading halt in the Company's securities.

If you have any queries, please do not hesitate to contact me on 9224 0000.

Yours sincerely,

Mauro Piccini
Adviser, Issuers (Perth)