



ADVANCED ENGINE COMPONENTS LIMITED

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

Update

Advanced Engine Components Limited ("ACE") has progressed its negotiations in relation to the non binding, confidential, term sheet signed in December 2011.

To allow negotiations, due diligence and preparation of formal documentation to continue the negotiating party has agreed to provide, interest free, secured interim bridging finance to ACE. All existing lenders to ACE have consented to the bridging finance with priority given over their existing security.

In August 2011 lawyers for a former ACE employee lodged a General Procedures claim against ACE for \$35,000 in respect of claimed long service leave and redundancy entitlements. The ACE Board was not prepared to make any payment that gave undue preference to a single employee over other employees. On 20 January 2012 ACE received a winding up order commenced by that former employee. The matter is due to be heard in the Supreme Court of Western Australia on 28 February 2012.

ACE remains unable to place a time estimate or likely success factor on the non binding term sheet or other ongoing discussions.

In the opinion of the ACE Board, the only likelihood of satisfying all outstanding employee and unsecured creditor entitlements, in an equitable manner, is for ACE to continue as a going concern and successfully complete the current negotiations. The winding up order may impact the Board's ability to achieve that goal.

For further information email shares@advancedengine.com