



ADVANCED ENGINE COMPONENTS LIMITED

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

Recapitalisation Plan

Advanced Engine Components Limited ("ACE" or "the Company") is pleased to advise that it has entered into a conditional Term Sheet for a proposed acquisition in the alternative fuels market and recapitalisation of ACE ("Recapitalisation Plan").

The acquisition will enable ACE to expand its existing China business through incorporating the vendors existing heavy duty LNG dual fuel engine conversion technology, together with a business model to supply, install and operate micro LNG plants at low-volume stranded gas production fields in Australia. Subject to satisfactory due diligence and ACE shareholder approval, the acquisition will be funded through the issue of 261.63 million ACE shares and \$250,000 cash. The vendors may nominate two representatives to join the Board of ACE.

In conjunction with the acquisition, the vendors will arrange capital raisings of \$2.33 million through the issue of 116.28 million ACE shares. The raisings will be undertaken in two tranches. An initial placement of 29 million shares to raise \$580,000 must be fully committed within 4 weeks from signing the Term Sheet. A further placement of 87.28 million ACE Shares, to raise \$1.75 million, will be completed following shareholder approval of the Recapitalisation Plan. The terms and conditions of the placements are not final at this stage and may be subject to underwriting.

The funds from the placements will principally be used to provide the required working capital for the ongoing operations and development of the business, together with settlement of the cash consideration and the Company's third party creditors. The balance will be used for associated placement, compliance and shareholder meeting costs.

The vendors are unrelated to ACE and its directors.



The Recapitalisation Plan also involves the forgiveness by related party lenders of a minimum \$9.5 million owing by ACE. The ACE Board has in-principle agreement with all related party lenders/creditors that if the Recapitalisation Plan proceeds, they will work with the Board to restructure ACE's debt position so as to enable the voluntary suspension of ACE shares to be lifted.

The Recapitalisation Plan is conditional on the following matters:

- completion of the initial placement;
- completion of satisfactory due diligence and valuations by ACE;
- the parties executing formal acquisition agreements;
- acceptance by related party lenders of the debt forgiveness;
- ACE obtaining shareholder approval;
- all necessary regulatory approvals and/or third party consents;
- completion of the further placement;
- ASX approval for reinstatement of the ACE shares without the requirement for compliance with Chapters 1 and 2 of the Listing Rules.

Having regard to the conditional nature of the Term Sheet, including due diligence by ACE and negotiation of formal agreements, ACE is not in a position to provide any detailed proforma financial information at this stage.

A detailed announcement will be made when the primary conditions have been satisfied and formal agreements executed. The Board expects these to be completed by March 2013.

The Recapitalisation Plan will be subject to shareholder approval. A Notice of Meeting and Explanatory Statement will be provided to shareholders in due course. ACE proposes to hold the shareholders meeting in conjunction with its outstanding Annual General Meetings. Prior to re-quotation of ACE shares the Company will bring all outstanding ASX and ASIC regulatory compliance requirements, such as the Annual Reports, up to date.

Successful completion of the Recapitalisation Plan should provide ACE with an expanded alternative fuels business, sufficient working capital and minimal debt, and assist in fulfilling all required compliance matters in order to demonstrate to ASX that ACE has an adequate financial condition satisfactory to enable reinstatement of ACE shares for ASX trading.

For further information email shares@advancedengine.com