ADVANCED ENGINE COMPONENTS LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)

ACN 009 081 770

NOTICE OF GENERAL MEETING

A General Meeting of the Company will be held at 108 Outram Street, West Perth WA 6005 on 5 June 2015 at 10 a.m. (WST).

This Notice of General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

Should you wish to discuss any matter please do not hesitate to contact the Company by telephone on (08) 9328 6262 (telephone number of Palisade Business Consulting, Deed Administrator).

ADVANCED ENGINE COMPONENTS LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
ACN 009 081 770

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of Shareholders of Advanced Engine Components Limited (subject to Deed of Company Arrangement) (**Company**) will be held at 108 Outram Street, West Perth WA 6005 on 5 June 2015 at 10 a.m. (WST) (**Meeting**).

The Explanatory Memorandum to this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form forms part of this Notice.

The Directors have determined pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on 3 June 2015 at 5p.m. (WST).

Terms and abbreviations used in this Notice and Explanatory Memorandum are defined in Section 9.

AGENDA

1. Resolution 1 – Ratification of Disposal

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

"That, for the purposes of Listing Rule 11.2 and for all other purposes, Shareholders ratify the disposal by the Company of its China inventory, equipment, customer and supplier contracts on the terms and conditions detailed in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by a person who:

(a) might obtain a benefit, except a benefit solely in the capacity as a Shareholder if the Resolution is passed; and

(b) an associate of that person.

However, the Company will not disregard a vote if:

(a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or

(b) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

2. Resolution 2 – Approval of Share Consolidation

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

*"That, subject to each of the other Recapitalisation Resolutions being passed, for the purposes of section 254H of the Corporations Act, and for all other purposes, Shareholders approve and authorise the Directors to consolidate the issued capital of the Company on the basis that every 40 Shares be consolidated into one Share (**Consolidation**)."*

3. Resolution 3 – Authority to issue Placement Securities

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

*"That, subject to each of the other Recapitalisation Resolutions being passed, for the purpose of Listing Rule 7.1 and for all other purposes, Shareholders approve and authorise the Directors to issue (on a post-Consolidation basis) 25,000,000 Shares (**Placement Shares**) for a total issue price of $250 and 25,000,000 Options (each exercisable at $0.02 on or before the date which is 4 years after their issue on the terms and conditions set out in the Explanatory Memorandum) (**Placement Options**) for a total issue price of $250 on the terms and conditions set out in the Explanatory Memorandum (**Placement**)."*

Voting Exclusion

The Company will disregard any votes cast on this Resolution by a person who may participate in the Placement and a person who might obtain a benefit (except a benefit solely in their capacity as holder of ordinary securities) if the Resolution is passed and any associates of those persons.

However, the Company will not disregard a vote if:

(a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or

(b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

4. Resolution 4 – Authority to issue Creditor Shares

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

*"That, subject to each of the other Recapitalisation Resolutions being passed, for the purpose of Listing Rule 7.1 and for all other purposes, Shareholders approve and authorise the Directors to issue (on a post-Consolidation basis) 5,000,000 Shares (**Creditor Shares**) to the creditors trust established under the DOCA on the terms and conditions set out in the Explanatory Memorandum."*

Voting Exclusion

The Company will disregard any votes cast on this Resolution by a person to whom Creditor Shares may be issued and a person who might obtain a benefit (except a benefit solely in their capacity as holder of ordinary securities) if the Resolution is passed and any associates of those persons.

However, the Company will not disregard a vote if:

(a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or

(b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

5. Resolution 5 – Removal of Auditor

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

"That, subject to each of the Recapitalisation Resolutions being passed, BDO Audit (WA) Pty Ltd, the current auditor of the Company, be removed as the auditor of the Company effective from the date of the Meeting."

6. Resolution 6 – Appointment of Auditor

To consider and, if thought fit, to pass with or without amendment, the following resolution as a special resolution:

"That, subject to each of the Recapitalisation Resolutions being passed, subject to the passing of Resolution 5, Ernst & Young, being qualified to act as auditor of the Company and having consented to act as auditor of the Company, be appointed as the auditor of the Company effective from the date of the Meeting and the Directors be authorised to agree the remuneration of Ernst & Young."

7. Resolution 7 – Election of Mr Faldi Ismail as a Director

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

"That, subject to each of the Recapitalisation Resolutions being passed, Mr Faldi Ismail, being eligible and offering himself for election, be elected as a Director."

8. Resolution 8 – Election of Dr Brendan de Kauwe as a Director

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

"That, subject to each of the Recapitalisation Resolutions being passed, Dr Brendan de Kauwe, being eligible and offering himself for election, be elected as a Director."

9. Resolution 9 – Election of Mr Nicholas Young as a Director

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

"That, subject to each of the Recapitalisation Resolutions being passed, Mr Nicholas Young, being eligible and offering himself for election, be elected as a Director."

Dated 4 May 2015

FOR AND ON BEHALF OF THE DEED ADMINISTRATOR

Graham Keys
Director

ADVANCED ENGINE COMPONENTS LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
ACN 009 081 770

EXPLANATORY MEMORANDUM

1. Introduction

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at 108 Outram Street, West Perth WA 6005 on 5 June 2015 at 10 a.m. (WST).

This Explanatory Memorandum should be read in conjunction with, and forms part of, the accompanying Notice. The purpose of this Explanatory Memorandum is to provide information to Shareholders in deciding whether or not to pass the Resolutions set out in the Notice.

A Proxy Form is located at the end of the Explanatory Memorandum.

2. Action to be taken by Shareholders

Shareholders should read the Notice and this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

Proxies

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Lodgment of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

(a) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;

(b) a proxy need not be a member of the Company; and

(c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

3. Background

3.1 Disposal

On 6 March 2012, the Company announced that it had signed a Business Sale Agreement with Westport Innovations (Australia) Pty Ltd (the **Purchaser**), under which the Purchaser would acquire the Company's non-China business assets, including all Australian inventory, plant & equipment, intellectual property and non-China contracts.

On 12 November 2013, the Company announced that it had signed a co-marketing and supply agreement for its China business, as an extension of the BSA, under which it had agreed to sell its China inventory, equipment, customer and supplier contracts to the Purchaser for the Chinese yuan equivalent of US$210,000 (inclusive of VAT) to be paid in part in cash and in part forgiveness of debt (**Disposal**).

Listing Rule 11.2 requires a listed entity to obtain shareholder approval prior to disposing of its main undertaking, and to ensure that any agreement entered into to dispose of its main undertaking is conditional on the entity getting that approval.

The Company did not obtain shareholder approval for the Disposal. As announced on 20 March 2015, ASX has determined that the Company has breached Listing Rule 11.2, the outcome of which is as follows:

(a) the Company is required to comply with Listing Rule 11.1.3 and meet the requirements of Chapters 1 and 2 of the Listing Rules before the Company's securities can be reinstated to official quotation; and

(b) as a condition to reinstatement, ASX will require the Company to seek Shareholder approval for the Disposal.

Resolution 1 seeks approval for the Disposal. If Resolution 1 is not passed, the Company's Shares will not be reinstated to quotation.

3.2 Otsana recapitalisation proposal

On 29 August 2014, the Company announced that it had accepted an offer from Otsana Pty Ltd (trading as Otsana Capital) (**Otsana**) to recapitalise the Company that will result in all the outstanding debts of the Company being compromised via a Deed of Company Arrangement and sufficient cash being injected into the Company to support its near-term business objectives. The Directors resolved to appoint Mark Summers and Jack James as administrators on the same day.

Subsequent to the Company's acceptance of Otsana's recapitalisation proposal, and following the appointment of voluntary administrators, Otsana loaned the Company an amount of $27,500 for the payment of the Company’s ASX listing fees.

3.3 Deed of Company Arrangement and Varied Deed of Company Arrangement

On 24 October 2014, the Company announced that at a meeting of creditors of the Company held on 3 October 2014, the creditors of the Company resolved that the Company execute a Deed of Company Arrangement and that Jack James and Mark Summers be appointed as administrators of the Deed. Mr Summers has subsequently resigned as administrator of the Deed, so that Mr James is the sole administrator of the Deed (the **Deed Administrator**).

On 20 March 2015, the Company announced that at a meeting of creditors of the Company held on 13 March 2015, the creditors of the Company resolved that the Company execute a varied Deed of Company Arrangement with Otsana (**DOCA**), a copy of which has been lodged with ASIC.

The Deed Administrator estimates that the claims of the Company's creditors are as follows:

(a) approximately $953,871 owing to trade creditors; and

(b) approximately $10,656,596 owing to entities related to the Directors and the Company's major shareholder (**Non-trade Creditors**).

Following the execution of the DOCA, Otsana paid a deposit of $35,000 to the Company (**Deposit**).

Pursuant to the terms of the DOCA and Creditors Trust:

(a) the Deposit, together with a loan by Otsana to the Company of $137,500 (on terms to be agreed), will form the Deed Fund for distribution to the creditors of the Company (via the Creditors Trust) in full and final satisfaction of their claims against the Company in accordance with the DOCA;

(b) the Company will undertake the Consolidation;

(c) (together with the recapitalisation proposal) the Company will issue the Placement Securities; and

(d) the Company will issue the Creditor Shares to the Creditors Trust for distribution to the Non-trade Creditors in exchange for a release of their claims against the Company.

Resolution 2 seeks approval of the Consolidation. Resolution 3 seeks approval for the issue of the Placement Securities. Resolution 4 seeks approval for the issue of the Creditor Shares.

Resolutions 2 to 4 (the **Recapitalisation Resolutions**) are inter-conditional. If the Recapitalisation Resolutions are not passed, then the Deed Administrator shall, in the absence of an alternative proposal, have no other option but to recommend to the creditors of the Company that the Company be placed into liquidation.

3.4 Other matters

Resolutions 5 and 6 relate to the removal of the Company's current auditor and the appointment of Ernst & Young as the auditor of the Company.

Resolutions 7 to 9 relate to the appointment of Messrs Faldi Ismail, Brendan DeKauwe and Nicholas Young as Directors of the Company.

Details on each of these Resolutions are contained below.

4. Resolution 1 – Ratification of Disposal

4.1 General

As detailed in Section 3, the Company has implemented the Disposal.

4.2 Summary of the Disposal

The material terms and conditions of the Disposal are as follows:

(a) the Company agreed to sell its China inventory, equipment, customer and supplier contracts to the Purchaser for the Chinese yuan equivalent of US$210,000 (inclusive of VAT) to be paid in part in cash and in part forgiveness of debt; and

(b) following the Disposal, the Company retained:

  (i) the ACE trade mark for China and the non-exclusive right to manufacture, service and sell the ACE natural gas system in China; and

  (ii) access in China, on a fee for service basis and agreed terms, to existing ACE technology, former employees and supply of product including software and technical services.

4.3 Listing Rule 11.2

Listing Rule 11.2 provides that an entity that is proposing to make a significant change either directly or indirectly, disposing its main undertaking, must get the approval from its shareholders and comply with any requirements of ASX in relation to the notice of meeting.

As noted in Section 3, the Company has implemented the Disposal in breach of Listing Rule 11.2.

The Company provides full disclosure and details of and the impact of the Disposal on the Company as required under Listing Rule 11.2 and seeks Shareholder ratification of the Disposal.

4.4 Financial Effect of the Disposal on the Company

The Disposal resulted in the Company:

(a) disposing of all of its tangible assets;

(b) reducing its debt levels by the amount owed to the Purchaser and its related entities;

(c) ceasing to have any employees, with a corresponding reduction in the Company's liability for employee entitlements; and

(d) receiving sufficient consideration to continue as a going concern.

The Disposal had no impact on the capital structure of the Company.

4.5 Reasons for ratifying the Disposal

The Directors believe that following an assessment of the advantages and disadvantages disclosed below, ratifying the Disposal is in the best interests of the Company.

Advantages

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's determination on how to vote on Resolution 1:

(a) the Disposal allowed the Company to reduce its then current debt levels;

(b) the Disposal allowed the Company to consider alternative asset acquisitions that the Directors believe will add value to Shareholders; and

(c) the Disposal was a positive outcome for the Company as the consideration received enabled the Company to continue as a going concern.

Disadvantages

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's determination on how to vote on Resolution 1:

(a) if Resolution 1 is not passed, the Company's Shares will not be reinstated to quotation;

(b) the Disposal involved the Company selling the Company's main undertaking, which may not be consistent with the investment objectives of all Shareholders; and

(c) there is a risk the Company may not be successful in identifying and completing other suitable asset acquisitions.

5. Resolution 2 – Approval of Share Consolidation

Resolution 2 seeks Shareholder approval for the Company to undertake a consolidation of the number of Shares on issue on the basis that every 40 Shares held be consolidated into one Share. The Consolidation will not affect the Placement Shares or the Placement Options or the Creditor Shares, which will be issued after Consolidation has taken place.

The result of the Consolidation is that each Share holding will be reduced by 40 times its current level. Each Shareholder's proportional interest in the Company's share capital will remain unchanged as a result of the Consolidation. Any fractional entitlements of Shareholders as a consequence of the Consolidation will be rounded up.

The change in capital structure of the Company following the Consolidation, which is subject to adjustments for rounding, is as follows:

Class of Security	Number on Issue (Pre- Consolidation)	Approximate number on Issue (Post-Consolidation)
Shares	203,683,388	5,092,085

The Consolidation will take effect from the second Business Day after Shareholder approval is received pursuant to the Notice of Meeting (**Effective Date**).

As from the day that is four Business Days after the Effective Date, the Company may not register transfers on a pre-Consolidation basis. In the case of certificated holdings, this is the last day for the Company to accept transfers accompanied by certificates issued before the Consolidation.

The Company will send a notice to all Shareholders not earlier than the fifth Business Day after the Effective Date and not later than the ninth Business Day after the Effective Date advising of the number of Shares held by each Shareholder both before and after the Consolidation.

Uncertificated security holding statements or certificates (as applicable) for the Shares will be sent to Shareholders not earlier than the fifth Business Day after (but not including) the Effective Date and not later than the ninth Business Day after (but not including) the Effective Date.

The Company will, from the date that is five Business Days after the Effective Date, reject transfers accompanied by a certificate or holding statement that was issued before the Consolidation.

Where a Shareholder has sold his or her Shares in the Company prior to the Consolidation of ordinary Shares and the Company receives a valid transfer executed by the Shareholder together with a certificate (if applicable) for those Shares, the Company will send an uncertificated security holding statement or certificate (as applicable) for the new Shares to the transferee named in the transfer.

Resolution 2 is an ordinary resolution and is subject to Resolution 1 and each of the other Recapitalisation Resolutions being passed.

If Resolution 2 (together with the other Recapitalisation Resolutions) is not passed, then the Deed Administrator shall, in the absence of an alternative proposal, have no other option but to recommend to the creditors of the Company that the Company be placed into liquidation.

Based upon the above, an indicative timetable assuming Shareholder approval is obtained will be as follows:

Date	**Event**
5 June 2015	Following shareholder approval Company announces shareholder approval of Consolidation.
9 June 2015	Last day for trading pre- Consolidation securities.
10 June 2015	Trading in post-Consolidation securities commences on a deferred settlement basis.
12 June 2015	Last day to register transfers on a pre-Consolidation basis.
15 June 2015	First day to register transfers on a post-Consolidation basis.
19 June 2015	Latest date for Company to send notice to each Shareholder of pre and post-

	Consolidation holdings.

6. Resolution 3 – Authority to issue Placement Securities

6.1 General

As required under the DOCA and the recapitalisation proposal between the Company and Otsana, the Company intends to undertake a placement of:

(a) 25,000,000 Shares (on a post-Consolidation basis) (**Placement Shares**) for a total issue price of $250; and

(b) 25,000,000 Options (on a post-Consolidation basis) (each exercisable at $0.02 on or before the date that is 4 years after their issue on the terms and conditions set out in Schedule 1) (**Placement Options**) for a total issue price of $250,

to sophisticated or professional investors who are clients of Otsana to raise $500 (before costs) (**Placement**).

The funds raised from the Placement will be used for general working capital for existing assets, business and administration costs (including the costs of the Placement) and to assess further new venture opportunities.

Listing Rule 7.1 provides that a company must not (subject to specified exceptions), without the approval of shareholders, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of ordinary securities on issue at the commencement of that 12 month period.

Given the issue of the Placement Shares and the Placement Options will exceed the 15% threshold set out in Listing Rule 7.1 and none of the exceptions contained in Listing Rule 7.2 apply, Shareholder approval is required under Listing Rule 7.1.

Resolution 3 is an ordinary resolution and is subject to Resolution 1 and each of the other Recapitalisation Resolutions being passed.

If Resolution 3 (together with the other Recapitalisation Resolutions) is not passed, then the Deed Administrator shall, in the absence of an alternative proposal, have no other option but to recommend to the creditors of the Company that the Company be placed into liquidation.

6.2 Specific information required by Listing Rule 7.3

For the purposes of Listing Rule 7.3, information regarding the placement is provided as follows:

(a) The maximum number of Securities that the Company may issue under the Placement is 25,000,000 Shares and 25,000,000 Placement Options (each on a post-Consolidation basis).

(b) The Placement Securities may be issued no later than three months after the date of the Meeting (or such later date to the extent permitted by an ASX waiver or modification of the Listing Rules).

(c) The Placement Shares will be issued at an issue price of $0.00001 per Share and the Placement Options will be issued at an issue price of $0.00001 per Option.

(d) The Placement Securities will be issued to clients of Otsana, each of whom is a sophisticated or professional investor who is not a related party of the Company.

(e) The Placement Shares will comprise fully paid ordinary shares of the Company ranking equally with all other fully paid ordinary shares of the Company.

(f) The Placement Options will each be exercisable at $0.02 on or before the date which is 4 years after their issue and will otherwise be issued on the terms and conditions set out in Schedule 1.

(g) The funds raised from the issue of the Placement Securities will be used by the Company used for general working capital for existing assets, business and administration costs (including the costs of the Capital Raising) and to assess further new venture opportunities.

(h) The issue of the Placement Securities may occur progressively subject to Section 6.2(b).

(i) A voting exclusion statement is included in the Notice.

7. Resolution 4 – Authority to issue Creditor Shares

7.1 General

As required under the DOCA, the Company intends to undertake a placement of 5,000,000 Shares (on a post-Consolidation basis) (**Creditor Shares**) to the Creditors Trust. The trustee of the Creditors Trust will hold the Creditor Shares on behalf of the Non-trade Creditors for distribution to them in exchange for a release of their claims against the Company under the terms of the DOCA.

The ASX has confirmed the Company has to re-comply with Chapters 1 and 2 of the Listing Rules. Accordingly the minimum re-quotation price for Shares is $0.02.

Listing Rule 7.1 provides that a company must not (subject to specified exceptions), without the approval of shareholders, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of ordinary securities on issue at the commencement of that 12 month period.

Given the issue of the Creditor Shares will exceed the 15% threshold set out in Listing Rule 7.1 and none of the exceptions contained in Listing Rule 7.2 apply, Shareholder approval is required under Listing Rule 7.1.

Resolution 4 is an ordinary resolution and is subject to Resolution 1 and each of the other Recapitalisation Resolutions being passed.

If Resolution 4 (together with the other Recapitalisation Resolutions) is not passed, then the Deed Administrator shall, in the absence of an alternative proposal, have no other option but to recommend to the creditors of the Company that the Company be placed into liquidation.

7.2 Specific information required by Listing Rule 7.3

For the purposes of Listing Rule 7.3, information regarding the placement is provided as follows:

(a) The maximum number of Securities that the Company may issue to the Creditors Trust is 5,000,000 Shares (on a post-Consolidation basis).

(b) The Creditor Shares may be issued no later than three months after the date of the Meeting (or such later date to the extent permitted by an ASX waiver or modification of the Listing Rules).

(c) The Creditor Shares will be issued at a deemed issue price of $0.02 per Share. However, no cash consideration will be received for the Creditor Shares, instead the beneficiaries of the Creditors Trust (being the Non-trade Creditors) will release their claims against the Company.

(d) The Creditor Shares will be issued to the Deed Administrator as trustee of the Creditors Trust, for eventual distribution to the Non-trade Creditors in exchange for a release of their claims against the Company. The Non-trade Creditors are as follows:

  (i) 698 Capital International Limited;

  (ii) 698 Capital Asia Pacific Ltd;

  (iii) CCM Management Ltd;

  (iv) CCM Global Ltd;

  (v) Mr Vivekananthan M V Nathan;

  (vi) Seibu Pty Ltd;

  (vii) Norvest Corporate Pty Ltd;

  (viii) Mr Graham Keys;

  (ix) Jildane Pty Ltd; and

  (x) Mr Anthony Middleton,

  each of whom is a related party of the Company sophisticated or professional investor.

(e) The Creditor Shares will comprise fully paid ordinary shares of the Company ranking equally with all other fully paid ordinary shares of the Company.

(f) The funds raised from the issue of the Creditor Shares will be used by the Company used for general working capital for existing assets, business and administration costs and to assess further new venture opportunities.

(g) The issue of the Creditor Shares may occur progressively subject to Section 6.2(b).

(h) A voting exclusion statement is included in the Notice.

8. Resolutions 5 and 6 – Removal and Appointment of Auditor

Under section 329 of the Corporations Act, an auditor of a company may be removed from office by resolution at a general meeting of which 2 months' notice of intention to move the Resolution has been given. The notice of intention to remove BDO Audit (WA) Pty Ltd is provided to Shareholders with this Notice of General Meeting.

It should be noted that under section 329, if a company calls a meeting after notice of intention has been given, the meeting may pass the resolution even though the meeting is held less than 2 months after the notice of intention is given.

The Company provides the notice of intention to Shareholders at Appendix A to this Notice and seeks approval to remove the auditor even though the meeting will be held less than 2 months after the notice of intention is given.

Under section 327D of the Corporations Act, the Company in a general meeting may appoint an auditor to replace an auditor removed under section 329 of the Corporations Act.

If BDO Audit (WA) Pty Ltd is removed under Resolution 5, the Directors propose that Ernst & Young be appointed as the Company's auditor effective from the Meeting. The notice of intention to remove BDO Audit (WA) Pty Ltd as auditor of the Company and nomination of Ernst & Young as auditor of the Company is provided to Shareholders in Annexure A to this Notice of General Meeting. Ernst & Young has given written consent to act as the Company's auditor in accordance with section 328A(1) of the Corporations Act.

If Resolutions 5 and 6 are passed, the appointment of Ernst & Young as the Company's auditor will take effect at the close of this General Meeting.

Resolution 5 is an ordinary resolution, and Resolution 6 is a special resolution (requiring approval of 75% of Shareholders present and able to vote on the resolution). Each of Resolutions 5 and 6 is subject to each of the Recapitalisation Resolutions being passed.

9. Resolution 7 – Election of Mr Faldi Ismail as a Director

It is proposed to appoint Mr Faldi Ismail as a Director.

Resolution 7 seeks the election of Mr Faldi Ismail as a Director.

Mr Ismail has significant experience working as a corporate advisor specialising in the restructure and recapitalisation of a wide range of ASX-listed companies having many years of investment banking experience covering a wide range of sectors. He has significant cross-border experience, having advised on numerous overseas transactions including capital raisings, structuring of acquisitions and joint ventures in numerous countries.

Mr Ismail is also a Director of dual listed Kalimantan Gold Corporation Limited (TSX-V/AIM listed – Ticker Code "KLG") and in addition is also the founder and operator of Otsana, a boutique advisory firm specialising in mergers & acquisitions, reverse takeovers, capital raisings and initial public offerings.

Mr Ismail is currently a Non-Executive Director of the following ASX-listed companies: BGD Corporation Limited, Emergent Resources Limited and Style Limited.

The Board unanimously supports the election of Mr Faldi Ismail.

Resolution 7 is an ordinary resolution and is subject to each of the Recapitalisation Resolutions being passed.

10. Resolution 8 – Election of Dr Brendan de Kauwe as a Director

It is proposed to appoint Dr Brendan de Kauwe as a Director.

Resolution 8 seeks the election of Dr Brendan de Kauwe as a Director.

Dr de Kauwe studied a Bachelor of Science and Bachelor of Dental Surgery from the University of Western Australia. He also holds a Post Graduate Diploma in Applied Finance, majoring in Corporate Finance, and is currently completing his Masters in Applied Finance. He is also an ASIC complaint (RG146) Securities Advisor.

Dr de Kauwe's extensive science and bio-medical background with more than 10 years' experience in the health sector; coupled with his finance backing, gives him an integral understanding in the evaluation of projects over a diverse range of sectors.

Dr de Kauwe has held the following ASX listed roles: Executive Chairman – Actinogen Ltd (ASX: ACW); Director – Prescient Therapeutics Ltd (ASX: PTX) (Formerly Virax Holdings Ltd); Director – Cossack Energy Ltd.

As an advisor with Otsana Capital he has been involved in a number of corporate restructures, capital raisings, and evaluations of a diverse range of assets.

The Board unanimously supports the election of Dr Brendan de Kauwe.

Resolution 8 is an ordinary resolution and is subject to each of the Recapitalisation Resolutions being passed.

11. Resolution 9 – Election of Mr Nicholas Young as a Director

It is proposed to appoint Mr Nicholas Young as a Director.

Resolution 9 seeks the election of Mr Nicholas Young as a Director.

Mr Young holds a Bachelor of Commerce, majoring in Accounting and Finance is, a Chartered Accountant and has completed the Insolvency Education Program at the Australian Restructuring Insolvency and Turnaround Association.

Nicholas commenced his career in the Corporate Restructuring division of an accounting firm and has gained valuable experience in Australia and Southern Africa, across a wide range of industries, including mining and exploration, mining services, renewable energy, professional services, manufacturing and transport.

Mr Young has been involved in the recapitalisation of various ASX-listed companies.

The Board unanimously supports the election of Mr Nicholas Young.

Resolution 9 is an ordinary resolution and is subject to each of the Recapitalisation Resolutions being passed.

12. Definitions

$ means Australian Dollars.

ASX means ASX Limited (ACN 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX.

Board means the board of Directors.

Business Day has the meaning given in the Listing Rules.

Chairman means the chairman of this Meeting.

Company means Advanced Engine Components Limited (subject to Deed Of Company Arrangement) ACN 009 081 770.

Consolidation has the meaning given in Section 3.

Corporations Act means the *Corporations Act 2001* (Cth).

Creditors Trust has the meaning given in Section 3.3.

Creditor Shares has the meaning given in Section 7.1.

Director means a director of the Company.

Explanatory Memorandum means the explanatory memorandum attached to the Notice.

Listing Rules means the listing rules of ASX.

Meeting has the meaning in the introductory paragraph of the Notice.

Non-trade Creditors has the meaning given in Section 3.3.

Notice means this notice of meeting.

Option means an option to acquire a Share.

Placement has the meaning given in Section 3.

Placement Options has the meaning in Section 6

Placement Security has the meaning given in Section 6.

Placement Share has the meaning given in Section 6.

Proxy Form means the proxy form attached to this Notice.

Recapitalisation Resolutions means Resolutions 2 to 4.

Resolution means a resolution contained in this Notice.

Section means a section contained in this Explanatory Memorandum.

Security means a Share or an Option.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a shareholder of the Company.

WST means Western Standard Time, being the time in Perth, Western Australia.

In this Notice, words importing the singular include the plural and vice versa.

Schedule 1 – Terms and Conditions of Placement Options

1. Entitlement

   Each Placement Option (**Option**) gives the Optionholder the right to subscribe for one Share upon exercise of the Option.

2. Exercise Price and Expiry Date

   Each Option has an exercise price of $0.02 (**Exercise Price**) and will expire at 5.00pm (WST) on the date that is 4 years after their issue (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

3. Notice of Exercise

   An Optionholder may exercise their Options by lodging with the Company, on or prior to the Expiry Date:

   (a) in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion;

   (b) a written notice of exercise of Options specifying the number of Options being exercised (**Exercise Notice**); and

   (c) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised. Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.

4. Timing of issue of Shares

   Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.

5. Shares issues on exercise

   All Shares issued upon the exercise of Options will upon issue rank equally in all respects with the then issued Shares.

6. Quotation of Shares on exercise

   The Company will apply for official quotation on ASX of all Shares issued upon exercise of Options within 10 Business Days after the date of issue of those Shares.

7. Quotation of Options

   The Options will be unlisted upon grant. No application for quotation of the Options will be made.

8. Options not transferrable

   The Options will be transferable subject to compliance with the Corporations Act.

9. Participation in new issues

There are no participation rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will give the holders of Options notice of the proposed issue prior to the date for determining entitlements to participate in any such issue.

10. Adjustment for bonus issues of Shares

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

(a) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option before the record date for the bonus issue; and

(b) no change will be made to the Exercise Price.

11. Adjustment for entitlement issue

If the Company makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the Exercise Price of an Option will be reduced according to the following formula:

$$\text{New exercise price} = \frac{O - E[P-(S+D)]}{N+1}$$

O = the old Exercise Price of the Option.

E = the number of underlying Shares into which one Option is exercisable.

P = average market price per Share weighted by reference to volume of the underlying Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.

S = the subscription price of a Share under the pro rata issue.

D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).

N = the number of Shares with rights or entitlements that must be held to receive a right to one Share.

12. Adjustments for reorganisation

If there is any reorganisation of the issued share capital of the Company, the rights of the Optionholder may be varied to comply with the Listing Rules which apply to a reorganisation of capital at the time of the reorganisation.

ADVANCED ENGINE COMPONENTS LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
ACN 009 081 770

PROXY FORM

The Company Secretary
Advanced Engine Components Limited (subject to Deed of Company Arrangement)

By post or delivery:
Advanced Engine Components Limited
(Subject to Deed of Company Arrangement)
c/- Palisade Business Consulting
Level 1, 330 Churchill Avenue Subiaco, WA 6008

By facsimile:
(08) 9227 6390

Step 1 – Appoint a Proxy to Vote on Your Behalf

I/We [1]____

of ____

being a Shareholder/Shareholders of the Company and entitled to ____
votes in the Company, hereby appoint:

The Chairman of the Meeting (mark box)	☐	**OR** if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name and address of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy	

or failing the person/body corporate named, or if no person/body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf, including to vote in accordance with the following directions (or, if no directions have been given, and to the extent permitted by law, as the proxy sees fit), at the Meeting of the Company to be held at 108 Outram Street, West Perth WA 6005 on 5 June 2015 at 10am (WST) and at any adjournment or postponement of the Meeting and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law as the proxy sees fit).

Proxy appointments will only be valid and accepted by the Company if they are made and received no later than 48 hours before the meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒.

Step 2 - Instructions as to Voting on Resolutions

The proxy is to vote for or against the Resolutions referred to in the Notice as follows:

	For	**Against**	**Abstain**
Resolution 1 – Ratification of Disposal	☐	☐	☐
Resolution 2 – Approval of Share Consolidation	☐	☐	☐
Resolution 3 – Authority to issue Placement Securities	☐	☐	☐
Resolution 4 – Authority to issue Creditor Shares	☐	☐	☐
Resolution 5 – Removal of Auditor	☐	☐	☐
Resolution 6 – Appointment of Auditor	☐	☐	☐
Resolution 7 – Election of Mr Faldi Ismail as a Director	☐	☐	☐
Resolution 8 – Election of Dr Brendan de Kauwe as a Director	☐	☐	☐
Resolution 9 – Election of Mr Nicholas Young as a Director	☐	☐	☐

If you mark the Abstain box for a particular Resolution, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

The Chairman of the Meeting intends to vote all available proxies in favour of each Resolution.

Authorised signature/s

This section ***must*** be signed in accordance with the instructions below to enable your voting instructions to be implemented.

Individual or Shareholder 1	Shareholder 2	Shareholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

___________________________	_________________________	____________________
Contact Name	Contact Daytime Telephone	Date

[1]Insert name and address of Shareholder   [2] Insert name and address of proxy   *Omit if not applicable

Proxy Notes:

A Shareholder entitled to attend and vote at the Meeting may appoint a natural person as the Shareholder's proxy to attend and vote for the Shareholder at the Meeting. If the Shareholder is entitled to cast 2 or more votes at the Meeting the Shareholder may appoint not more than 2 proxies. Where the Shareholder appoints more than one proxy the Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If such proportion or number of votes is not specified each proxy may exercise half of the Shareholder's votes. A proxy may, but need not be, a Shareholder of the Company.

If a Shareholder appoints a body corporate as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting, the representative of the body corporate to attend the Meeting must produce the Certificate of Appointment of Representative prior to admission. A form of the certificate may be obtained from the Company's share registry.

You must sign this form as follows in the spaces provided:

Joint Holding:	where the holding is in more than one name all of the holders should sign.
Power of Attorney:	if signed under a Power of Attorney, you must have already lodged it with the registry, or alternatively, attach a certified photocopy of the Power of Attorney to this Proxy Form when you return it.
Companies:	a Director can sign jointly with another Director or a Company Secretary. A sole Director who is also a sole Company Secretary can also sign. Please indicate the office held by signing in the appropriate space.

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's Share Registry.

Proxy Forms (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be deposited at or received by facsimile transmission at the address below no later than 48 hours prior to the time of commencement of the Meeting (WST).

Postal or delivery address:

Advanced Engine Components Limited
(Subject to Deed of Company Arrangement)
c/- Palisade Business Consulting
Level 1, 330 Churchill Avenue Subiaco, WA 6008

Facsimile: (08) if faxed from within Australia or +618 9227 6390 if faxed from outside Australia.

Annexure A – Nomination of Auditor

15 April 2015

The Board of Directors – Advanced Engine Components Limited

Dear Sirs

NOMINATION OF ERNST AND YOUNG AS COMPANY AUDITOR

Seibu Pty Ltd of 15 Branksome Gardens, City Beach WA being a member of Advanced Engine Components Limited, requests that a general meeting of the Company be held at the first available time, in any event no later than 2 months from the date of this notice, to consider and, if thought fit, pass resolutions that:

(a) BDO Audit (WA) Pty Ltd be removed as auditor of the Company; and

(b) Ernst and Young be appointed as the new auditor of the Company.

This letter serves as notice under section 328B(1) of the Corporations Act 2001 of the nomination of Ernst and Young of 11 Mounts Bay Road, Perth WA 6000 as auditor of the Company.

Signed by Seibu Pty Ltd

Director

Director/Secretary