



ADVANCED ENGINE COMPONENTS LIMITED

ACN: 009 081 770



14 ENERGY STREET
PO BOX 3126
MALAGA 6090
WESTERN AUSTRALIA

TEL: +61 8 9209 6900
FAX: +61 8 9209 6999

31 July 2007

Company Announcements Office
The Australian Stock Exchange Limited
By: e-lodgement (ASX code ACE)

June 2007 – Quarterly Activities Highlights

During the June 2007 quarter Advanced Engine Components Ltd ("ACE") expanded its revenue base to include direct sales of natural gas ("NG") engines. The engines are purchased from ACE original equipment manufacturer ("OEM") customers in China, built up and commissioned as NG engines by ACE staff and sold as completed NG engines to heavy duty vehicle manufacturers in China, Thailand and other Asian countries.

ACE's total sales revenue for the June 2007 quarter was approximately \$650,000. These sales can be categorised as:

- sale of natural gas vehicle system ("NGVS") kits A\$170,000;
- sale of completed engines A\$270,000; and
- sale of spare parts A\$210,000.

Purchasers of NG engines are attracted to ACE as an engine supplier due to:

- the diversity of NG engines ACE can offer by manufacturer, size and power;
- ACE's ability to provide technical assistance at installation and commissioning; and
- the quality of ACE's after sales service and advice gained from ten years developmental experience and servicing of operational issues for heavy duty NG vehicles using the ACE NGVS.

The addition of NG engines to ACE's portfolio of products means ACE benefit through the entire product cycle with:

- the sale of the ACE NGVS and other patented components to the OEM;
- a margin on the sale of the NG or base engine to the vehicle manufacturer; and
- the ongoing sale of patented spare parts and consumables to the end user.

ACE's purchase and sale of the NG engines is funded through letter of credit financing facilities arranged with major Chinese and Japanese trading houses.

Involvement in direct sales of NG engines enables ACE to enhance OEM customer sales of NG engines which expands sales of the ACE NGVS and ACE spare parts.

For further information please contact Tony Middleton, Managing Director, on (08) 9209 6911; or email shares@advancedengine.com.



1 Appendix 4C

1.1 Quarterly report

1.2 for entities admitted

1.3 on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001

Name of entity

ADVANCED ENGINE COMPONENTS LIMITED

ABN

67 009 081 770

Quarter ended ("current quarter")

30 June 2007

1.3.1 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	1,347	2,815
1.2 Payments for		
(a) staff costs	(139)	(805)
(b) advertising and marketing	(14)	(53)
(c) research and development	(269)	(842)
(d) leased assets	-	(22)
(e) other working capital	(1,721)	(4,253)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	2	22
1.5 Interest and other costs of finance paid	(23)	(99)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net operating cash flows	(817)	(3,237)

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	(817)	(3,237)
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	6	(118)
(e) other non-current assets	(253)	(853)
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	44
(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	(247)	(927)
1.14 Total operating and investing cash flows	(1,065)	(4,164)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	1,217	3,670
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings (item 3.3)	-	200
1.18 Repayment of borrowings	199	(74)
1.19 Dividends paid	-	-
1.20 Costs associated with issue of shares	(16)	(109)
Net financing cash flows	1,400	3,687
Net increase (decrease) in cash held	335	(477)
1.21 Cash at beginning of quarter/year to date	276	1,088
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 Cash at end of quarter	611	611

+ See chapter 19 for defined terms.

1.3.2

1.3.3 Payments to directors of the entity and associates of the directors

1.3.4 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	123
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Salary payments to the executive director of the Company of \$40,000. Payments to Norvest Corporate Pty Ltd for corporate and secretarial services \$83,000.

1.3.5

1.3.6 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

1.3.7

1.3.8 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	-	-
3.2	Credit standby arrangements	-	-

1.3.9

1.3.10	3.3	1.3.11
--------	-----	--------

1.3.12 **1.3.13**

+ See chapter 19 for defined terms.

1.3.14 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	611	276
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other (provide details Commercial Finance)	-	-
Total: cash at end of quarter (item 1.23)	611	276

1.3.15 Acquisitions and disposals of business entities

	Acquisitions <i>(Item 1.9(a))</i>	Disposals <i>(Item 1.10(a))</i>
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	-	-

1.3.16 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:



.....
 Managing Director

Date: 31 July 2007

Print name: Antony Middleton

+ See chapter 19 for defined terms.

1.3.17 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.

1.3.18

+ See chapter 19 for defined terms.