

20 March 2015

Market Announcements Office
Australian Securities Exchange
ASX code: ACE

**ADVANCED ENGINE COMPONENTS LTD
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
ACN 009 081 770 (“the Company”)**

UPDATE ON RECAPITALISATION PROPOSAL

AND

NOTICE OF EXECUTION OF VARIED DEED OF COMPANY ARRANGEMENT

We refer to the appointment of Jack James as Deed Administrator of the Company on 24 October 2014.

Update on Recapitalisation Proposal

As previously advised, on 2 January 2015, the ASX advised that, following a review of the Company’s announcements pertaining to the sale of its non-China business (announcement dated 6 March 2012) and the execution of a co-marketing and supply agreement (announcement dated 12 November 2013) (collectively **the Disposal**), it has determined that the Company breached listing rule 11.2 in that it did not obtain the required shareholder approval for the Disposal.

As a result, ASX advised:

- 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
- The Company is required to seek shareholder approval for the Disposal as a condition to reinstatement.

Following an assessment of ASX’s requirements, Otsana Pty Ltd (**Otsana**) submitted a proposal to vary the Deed of Company Arrangement (**DOCA**) dated 24 October 2014.

Execution of Varied Deed of Company Arrangement

At a meeting of creditors of the Company held on 13 March 2015, creditors resolved that the Company execute the varied DOCA.

We advise that the Company and Otsana executed the varied DOCA on 20 March 2015. A copy of the varied DOCA has been lodged with the Australian Securities and Investments Commission.

Further Updates

Shareholders are advised to monitor ASX announcements for further updates.

JACK JAMES
Deed Administrator