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X4 ENGINE DEVELOPMENT UPDATE

DIRECTORS ANNOUNCEMENT – 6TH JULY 2007

As previously advised the first round of testing of the X4 was completed. The test results were published with a comparison to a competitor's engine. Our report showed we produced higher power and torque with less fuel. We have calculated that our Brake Mean Effective Pressure or "BMEP" figure, which is an average of pressure produced throughout the four strokes as 10.67 bar. The higher the bar figures the better the result. As a note, The Mercedes AMG 6.3 litre engine has a reading of 10.5 bar and GM's 6 litre engine has a reading of 9.3 bar.

We entered the next stage of development two months ago. This stage of development involves further perform enhancements including, durability, drivability testing and independent assessment of the testing. Many parties who are interested in our technology require us to have completed independent testing before progressing to the next stage of our relationship.

To work through this next stage we are modifying the X4 engine to enable it to be mounted into a vehicle. We are currently making major upgrades to the engine including fitting Electronic Fuel Injection and Direct Fire Ignition as well as mechanical modifications including a more rigid engine block, up graded internal components, varying the camshaft profiles for higher operational RPM.

We expect to complete these modifications and fit the engine into the vehicle by the end of August 2007. After initial testing, the engine will be fitted back on to the dynamometer for fine tuning and independent assessment. Once an independent assessment has been completed we will be inviting two overseas manufacturers to travel to Australia to view the testing and then place the engine back in to the vehicle for testing with them.

We will report further after the Independent testing is completed.

Issued: 6 July 2007

A handwritten signature in blue ink, appearing to be 'Charles Chan', with a long horizontal line extending to the right.

Charles Chan
Managing Director