



ADVANCED ENGINE COMPONENTS LIMITED

ACN: 009 081 770



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31 January 2006

Company Announcements Office
The Australian Stock Exchange Limited

By: e-lodgement (ASX code ACE)

December 2005 - Quarterly Activities Summary

Throughout the quarter Advanced Engine Components Ltd ("ACE" or "the Company") continued to receive sales revenue from France and progress the commercialisation of nine natural gas engine development programmes. The key highlights have been:

- the First Auto Works ("FAW")/ ACE 6.6 litre natural gas ("NG") engines have:
 - successfully completed the first 500 hour durability test;
 - been built into two bus chassis for road testing; and
 - been displayed at the Clean Vehicles Fair in Beijing with significant interest from vehicle manufacturers;
- FAW commenced installation of a further five FAW/ACE NG engines into three bus and two truck chassis for demonstration to potential customers;
- a FAW/ACE 7.1 litre NG engine has been built for export to non -critical emission countries;
- the FAW/ACE 3.2 litre NG engine was emissions certified to current Chinese standards;
- development of the 9.7 litre Weichai Petersen ("Weichai")/ACE NG engine was completed in preparation for emissions certification;
- installation, in a bus, of the first Weichai/ACE NG engine commenced in preparation for road testing;
- the first 17 ACE Natural Gas Vehicle System component kits were dispatched for sale to FAW;
- the first of three NG, 7.8 litre, Isuzu trucks was completed and delivered to Motive Energy in Australia;
- manufacture and supply, to China, of ACE's patented NG injector commenced; and
- at the end of the Quarter, the Company had \$1.5 million cash on hand.

World conditions, including the price and supply uncertainties of oil and environmental concerns, continue to favour the use of alternative vehicle fuels, particularly natural gas.

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



Appendix 4C

Quarterly report for entities admitted on the basis of commitments

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

Name of entity

ADVANCED ENGINE COMPONENTS LIMITED

ABN

009 081 770

Quarter ended ("current quarter")

31 December 2005

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from customers	812	1,289
1.2 Payments for		
(a) staff costs	(215)	(421)
(b) advertising and marketing	(5)	(28)
(c) research and development	(154)	(254)
(d) leased assets	(33)	(69)
(e) other working capital	(230)	(1,012)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	6	12
1.5 Interest and other costs of finance paid	(9)	(27)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net operating cash flows	173	(509)

+ 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)	173	(509)
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	(121)	(127)
(e) other non-current assets	(262)	(516)
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(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	(383)	(643)
1.14 Total operating and investing cash flows	(210)	(1,152)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	1,543	1,543
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	(56)	(198)
1.19 Dividends paid	-	-
1.20 Costs associated with issue of shares	-	-
Net financing cash flows	1,487	1,345
Net increase (decrease) in cash held	1,277	193
1.21 Cash at beginning of quarter/year to date	224	1,308
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 Cash at end of quarter	1,501	1,501

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

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	41
1.25	Aggregate amount of loans to the parties included in item 1.11	-
1.26	Explanation necessary for an understanding of the transactions <div style="border: 1px solid black; padding: 2px;">Salary payments to the Executive Directors of the Company of \$41,000.</div>	

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

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	-	-

+ See chapter 19 for defined terms.

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

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	501	224
4.2 Deposits at call	1,000	-
4.3 Bank overdraft	-	-
4.4 Other (provide details Commercial Finance)	-	-
Total: cash at end of quarter (item 1.22)	1,501	224

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
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	-	-

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 January 2006

Print name: Antony Middleton

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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.

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