



ADVANCED ENGINE COMPONENTS LIMITED

ACN: 009 081 770



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31 October 2005

Company Announcements Office
The Australian Stock Exchange Limited

By: e-lodgement (ASX code ACE)

QUARTERLY REPORT PERIOD ENDING 30 SEPTEMBER 2005

Quarterly Activities Summary

The September 2005 quarter has been very positive for Advanced Engine Components Ltd ("ACE" or "the Company"). The key highlights of the period have been:

- ACE had nine active natural gas ("NG") engine development programmes in progress for three different end suppliers;
- The First Auto Works ("FAW")/ACE 6.6 litre NG engine achieved Euro 3 certification;
- ACE signed an agreement to supply ongoing technical support and NG engine components to a significant Australian Consortium;
- ACE had sales revenue in excess of \$1m from the ongoing Irisbus contract;
- ACE advanced the development and patenting of its internally designed injectors and other spare parts for NG engines;
- ACE advanced the set up of infrastructure, assembly and procurement facilities at the Company's Beijing premises;
- ACE entered alliance agreements with two separate groups covering Indonesia, Thailand, Malaysia, Myanmar, Singapore and Pakistan; and
- The Company resolved a long running royalty dispute over past and future revenue streams.

The activities throughout the first quarter of the 2006 Financial Year have the Company well placed to benefit from the increasing demand for NG engines. This demand continues to rise as a result of the price of oil, environmental concerns over diesel greenhouse emissions and economic growth in the Asian region.

The success of ACE's developments throughout the first quarter have enabled the Company to announce, based on ACE customers advice, significant sales revenue expected to commence early in the 2006 calendar year (refer ASX announcements of 19 September 2005 and 25 October 2005).

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")

30 September 2005

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from customers	477	477
1.2 Payments for		
(a) staff costs	(206)	(206)
(b) advertising and marketing	(23)	(23)
(c) research and development	(100)	(100)
(d) leased assets	(36)	(36)
(e) other working capital	(782)	(782)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	6	6
1.5 Interest and other costs of finance paid	(18)	(18)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net operating cash flows	(682)	(682)

+ 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 (3 months) \$A'000
1.8 Net operating cash flows (carried forward)	(682)	(682)
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)	(6)
(e) other non-current assets	(254)	(254)
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	(260)	(260)
1.14 Total operating and investing cash flows	(942)	(942)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	-	-
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	(142)	(142)
1.19 Dividends paid	-	-
1.20 Costs associated with issue of shares	-	-
Net financing cash flows	(142)	(142)
Net increase (decrease) in cash held	(1,084)	(1,084)
1.21 Cash at beginning of quarter/year to date	1,308	1,308
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 Cash at end of quarter	224	224

+ 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	210
1.25	Aggregate amount of loans to the parties included in item 1.11	-
1.26	<p>Explanation necessary for an understanding of the transactions</p> <div style="border: 1px solid black; padding: 5px;"> <p>Payments to Executive Directors for services to the Company of \$41,000. Payments to Non-executive Directors for Director's fees for the 2003/2004 and the 2004/2005 financial years of \$54,000. Payments in respect of the 2004/2005 financial year to Norvest Corporate Pty Ltd for corporate and secretarial services as well as services rendered in terms of the Prospectus Issue amounting to a total of \$115,000.</p> </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	-	-

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Appendix 4C
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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	224	1,308
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other (provide details Commercial Finance)	-	-
Total: cash at end of quarter (item 1.22)	224	1,308

Working Capital

As at the end of the September quarter the Company has:

Debtors (net of provisions) of \$ 1,049,000

Inventory of \$431,000

Trade Creditors and accruals of \$308,000 (This represents a reduction of \$158,000 during the quarter)

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:



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 Managing Director

Date: 31 October 2005

Print name: Antony Middleton

+ See chapter 19 for defined terms.

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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