ADVANCED ENGINE COMPONENTS LIMITED
ACN: 009 081 770

Quality Endorsed Company
ISO 9001 Lic.13705
SAI Global

14 ENERGY STREET
PO BOX 3126
MALAGA 6090
WESTERN AUSTRALIA

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

29 July 2005

Company Announcements Office
The Australian Stock Exchange Limited

By: e-lodgement (ASX code ACE)

QUARTERLY REPORT
PERIOD ENDING 30 JUNE 2005

Quarterly Activities Summary

- **$3.5 million capital raising successfully completed.**
- **conversion of $9.95 million short term debt to equity and long term 40 cent convertible notes.**
- **David Wang appointed as China General Manager AEC China, resident in Beijing.**
- **Chinese office and component procurement established.**
- **$2.9 million in forward sales orders received from Europe and China.**
- **Nine engine development programmes in progress for three separate Chinese and Australian customers.**
- **AEC's design and development of key consumable components for AEC systems and the international parts market nearing commercial completion.**

Throughout the quarter the increasing cost of fuel, international concerns over the environment and the economic growth of the Chinese and Asian region has continued to increase demand for AEC's natural gas vehicle systems and components.

For further information please contact:
Tony Middleton (Managing Director) on (08) 9209 6900;
Graham Keys (Chairman) on 9324 8555;
email shares@advancedengine.com; or
refer to www.advancedengine.com

Rule 4.7B

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	Quarter ended ("current quarter")
009 081 770	30 June 2005

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		366	2,274
1.2	Payments for	(a) staff costs	(198)	(965)
		(b) advertising and marketing	(4)	(15)
		(c) research and development	(16)	(616)
		(d) leased assets	(55)	(148)
		(e) other working capital	(1,475)	(2,685)
1.3	Dividends received		-	-
1.4	Interest and other items of a similar nature received		23	27
1.5	Interest and other costs of finance paid		(42)	(95)
1.6	Income taxes paid		-	-
1.7	Other (provide details if material)		-	-
	Net operating cash flows		(1,401)	(2,223)

+ See chapter 19 for defined terms.

		Current quarter $A'000	Year to date (12 months) $A'000
1.8	Net operating cash flows (carried forward)	(1,401)	(2,223)
	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	(28)	(69)
	(e) other non-current assets	(401)	(672)
1.10	Proceeds from disposal of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	-	15
	(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	(429)	(726)
1.14	**Total operating and investing cash flows**	(1,830)	(2,949)
	Cash flows related to financing activities		
1.15	Proceeds from issues of shares, options, etc.	3,500	4,350
1.16	Proceeds from sale of forfeited shares	-	-
1.17	Proceeds from borrowings	336	773
1.18	Repayment of borrowings	(313)	(570)
1.19	Dividends paid	-	-
1.20	Costs associated with issue of shares	(392)	(493)
	Net financing cash flows	3,131	4,060
	Net increase (decrease) in cash held	1,301	1,111
1.21	Cash at beginning of quarter/year to date	7	197
1.22	Exchange rate adjustments to item 1.20	-	-
1.23	**Cash at end of quarter**	1,308	1,308

+ 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	357
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Payments to Executive Directors for services to the Company of $35,000.
Payments to Norvest Corporate Pty Ltd for corporate and secretarial services $85,000.
Payments to Norvest Corporate Pty Ltd in connection with equity raising activities $237,000.

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

In terms of the resolutions passed at the Meeting of the Members held on 5th of April 2005, $3.3 million of debt has been converted to equity during the period under review. In addition a further $3.0 million of debt has been converted to convertible notes of which $1.323 is reflected as equity and the remainder as long term debt.

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.

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	1,308	7
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)	1,308	7

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: .... Date: 29 July 2005
Managing Director

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.

+ See chapter 19 for defined terms.