

PRESS RELEASE

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For Immediate Release

THE AMERICAN EDUCATION CORPORATION REPORTS FISCAL 2005 CONSOLIDATED THIRD QUARTER AND NINE-MONTH RESULTS *Results Believed To Be Impacted By Hurricanes In Gulf Coast States*

Oklahoma City, November 14, 2005: The American Education Corporation ("AEC") (OTC/BB: AEDU) today announced profitable results for its core domestic operations for the third quarter and for the nine months ended September 30, 2005. For the three- and nine-month periods, net revenues for AEC's core domestic business increased from \$2,358,965 to 2,384,496, or 1 percent, and from \$7,227,912 to \$7,476,498, or 3 percent, respectively, compared to the same periods last year. Net income after tax for the third quarter decreased by 49 percent to \$164,632 from \$320,342 for the core publishing operations. Net income for the nine-month period declined by 24 percent to \$744,870 from \$980,210 for the core business unit. The revenues and net income during the third quarter are believed to be adversely impacted by weather-related events in important Gulf Coast markets. The core business unit's profitability performance was also affected as the fixed nature of the Company's cost structure did not allow for adjustment to these unexpected events and their severity. Management believes that hurricanes Katrina, Rita and Wilma caused delays or deferral of orders during the quarter when a high percentage of the Company's annual orders are traditionally booked for its core publishing operations. It is believed that orders not received from the storm-impacted states were deferred and may be booked at a future date.

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On a consolidated basis, for the three-month period, net revenues decreased from \$2,601,412 to \$2,489,284, or 4 percent. For the nine-month period consolidated net revenues increased from \$7,873,473 to \$7,987,414, or by 1 percent as compared to the same period last year. Net consolidated revenues also reflect the results of operations of the Dolphin subsidiary and the continuing, but declining revenues and costs associated with the termination of Dolphin's contract development business. The Company reported quarterly net after tax profits of \$18,291, representing a decrease of 14 percent over the \$21,392 reported for the same 2004 period. After-tax losses were \$402,663 for the nine-month period ended September 30, 2005, as compared to earnings of \$217,373 reported for the same 2004 period.

Gross margins for the third-quarter and nine-month periods ended September 30, 2005, were \$2,255,193 and \$7,125,756, respectively, representing 91 percent and 89 percent, of consolidated quarterly and nine-month revenues. Consolidated gross margins improved for the three- and nine-month 2005 periods as compared to the same fiscal 2004 periods. This improved performance is attributable to a larger percentage of total net revenues being driven by the more profitable AEC core business. Core AEC software publishing gross margins remained at approximately 97 percent of net revenues for the third-quarter and nine-month periods. EBITDA for the quarter was \$470,475 and represented 19 percent of net revenues. Third quarter EBITDA decreased 27 percent compared to the prior year's third quarter, primarily as a result of the costs associated with the former Dolphin subsidiary and the weather-related events impact on core AEC financial performance for this period. Nine-month, consolidated EBITDA performance was \$1,905,348, or 24 percent of revenues, representing an approximate 6 percent decline from the \$2,017,932 reported for the same period of 2004.

At September 30, 2005, total assets increased 4 percent to \$8,570,574 from \$8,277,572, while stockholders' equity decreased 7 percent from \$5,392,714 to \$4,990,051 compared to December 31, 2004. The Company's working capital increased 55 percent to \$1,700,171 at September 30, 2005, as compared to \$1,097,949 at December 31, 2004, providing for substantial liquidity improvement.

The American Education Corporation Announces Third Quarter Earnings and Nine Month Results

November 14, 2005

Page 2

Commenting on the results, Jeffrey E. Butler, Chief Executive Officer of the Company, stated, "Our core AEC operating unit sustained modest revenue growth for both the three- and nine-month periods. These results were achieved despite a disruption in third quarter orders in several key Gulf Coast states as a result of severe weather. The Company expects that it may recognize a portion of these orders in the fourth quarter of this year or in early fiscal 2006. It should also be noted that we believe that these events may still continue to affect AEC's financial performance for this fiscal year and are dependent on the recovery of area schools. On a consolidated basis, we have managed to improve the overall financial condition of the Company, with improvements in the balance sheet and increased working capital. AEC, the engine of the Company's profitability, has continued to secure orders from other geographical regions during the quarter and year-to-date, but it is too early to tell if we can expect additional revenues from storm impacted areas during the closing quarter of the year.

"With respect to the status of the discontinued and written down subsidiary operations, the necessary staff reductions have been made at Dolphin and the transition of the remaining development personnel to AEC's payroll has been largely completed. On November 7, 2005, subsequent to the end of the quarter, we announced the final transfer of all ownership of the Company's UK operations to another US-based company, Learning.com. The terms of the transaction maintain long-term access for the Company's products to important international markets through distribution and licensing arrangements with this former subsidiary. With regard to the Company's efforts to privatize, it is believed that progress is being made on this front and shareholders should expect additional public document filings in the coming months," he concluded.

The Company's Java-based technology, the **A+nyWhere Learning System**[®] Versions 3.0 and 4.0 of educational software products, provides for an integrated offering of grade levels 1-12 software for Reading, Mathematics, Language Arts, Science, Writing, History, Government, Economics and Geography. The Company recently released Learning Letter Sounds, a comprehensive suite of emergent reading content, designed for pre-K, K-3 students. All company products are designed to provide for LAN, WAN and Internet delivery options. The Company has developed a computer adaptive, companion academic skill assessment testing tool to provide educators with the resources to more effectively use the Company's curriculum content aligned to important state and national academic standards. Spanish-language versions are available for Mathematics and Language Arts for grade levels 1-8. The Company's curriculum content is aligned to the other third party digital resources such as GoKnow's scientifically based, Internet accessible curriculum and reference materials, which may be accessed directly from A+LS lessons. The A+LS comprehensive family of educational software is now in use in over 11,000 schools, centers of adult literacy, colleges and universities, and correctional institutions in the U.S. and other international locations. A+dvancer College Readiness *Online*, the Company's postsecondary offering, identifies and assists students in attaining college entry-level academic skills in Arithmetic, Elementary Algebra, Reading Comprehension, and Sentence Skills. A+dvancer reduces demand on institutional admissions and developmental departments, while providing students with both improved skills assessment and the alignment to developmental and remedial coursework in an online, self-paced learning environment.

Note: Certain matters discussed above concerning the future performance of the Company are forward-looking statements intended to qualify for the safe harbors from liabilities established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified as such by words such as "if," "may," "believes," "anticipates," "plans," "expects" or words of similar import. The future performance of the Company is subject to a number of factors including, but not limited to, general economic conditions, competitive activity and funding available to schools.

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**The American Education Corporation Announces Third Quarter Earnings and Nine Month Results
November 14, 2005**

Page 3

Statement of Income

	Three Months Ended September 30, 2005 (unaudited)	Three Months Ended September 30, 2004 (unaudited)	% Change
Sales	\$2,489,284	\$2,601,412	(4%)
Operating income from continuing operations	150,147	434,331	(65%)
Income from continuing operations before income taxes	136,604	414,716	(67%)
Income from continuing operations	81,962	248,830	(67%)
Loss from discontinued operations	(63,671)	(227,438)	72%
Net Income	18,291	21,392	(14%)
Earnings per share – diluted			
Weighted average shares outstanding	17,074,264	15,668,711	
Continuing operations	\$.005	\$.016	(69%)
Discontinued operations	(.004)	(.015)	73%
Total	<u>\$.001</u>	<u>\$.001</u>	--

	Nine Months Ended September 30, 2005 (unaudited)	Nine Months Ended September 30, 2004 (unaudited)	% Change
Sales	\$7,987,414	\$7,873,473	1%
Operating income (loss) from continuing operations	(247,201)	1,288,755	(119%)
Income (loss) from continuing operations before income taxes	(289,313)	1,238,716	(123%)
Income (loss) from continuing operations	(217,849)	744,071	(129%)
Loss from discontinued operations	(184,814)	(526,698)	65%
Net Income (loss)	(402,663)	217,373	(285%)
Earnings per share – diluted			
Weighted average shares outstanding	17,074,264	15,668,711	
Continuing operations	\$ (.013)	\$.048	(127%)
Discontinued operations	(.011)	(.034)	68%
Total	<u>\$ (.024)</u>	<u>\$.014</u>	(271%)

Balance Sheet Data

	September 30, 2005 (unaudited)	December 31, 2004 (audited)	% Change
Current Assets	\$4,598,719	\$3,102,531	48%
Total Assets	8,570,574	8,277,572	4%
Current Liabilities	2,898,548	2,004,582	45%
Stockholders' Equity	4,990,051	5,392,714	(7%)

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)
Disclosure of Calculations for the Three Months and Nine Months Ended September 30, 2005

	Three Months Ended September 30		Nine Months Ended September 30	
	2005 (Unaudited)	2004 (Unaudited)	2005 (Unaudited)	2004 (Unaudited)
Net income (loss)	\$ 18,291	\$ 21,392	\$(402,663)	\$217,373
Add back non-EBITDA items included in net income:				
Depreciation and amortization	426,447	434,876	2,442,218	1,255,875
Interest expense	13,543	19,615	42,112	50,039
Income tax provision	12,194	165,886	(176,319)	494,645
EBITDA	\$470,475	\$641,769	\$1,905,348	\$2,017,932

EBITDA represents earnings (loss) from continuing operations before interest income, interest expense, income taxes, depreciation, amortization, other income and impairment of goodwill. The Company believes that EBITDA provides meaningful additional information concerning a company's operating results and its ability to service its long-term debt and other fixed obligations and to fund its continued growth. Many financial analysts consider EBITDA may be a meaningful indicator of future profitability. EBITDA should not be construed as an alternative to net income (loss) as determined in accordance with GAAP, as an alternative to cash flows from operating activities as determined in accordance with GAAP or as a measure of liquidity. Because EBITDA is not calculated in the same manner by all companies, it may not be comparable to other similarly titled measures of other companies. See the consolidated statement of cash flows in the consolidated financial statements filed in the Company's Form 10-QSB.