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ADVANCE TECHNOLOGIES INC
Form 10QSB
February 14, 2005

FORM 10-QSB
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Quarterly report pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

For the quarterly period ended December 31, 2004

or

Transition report pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

For the transition period _____ to _____

Commission file number 0-27175

ADVANCE TECHNOLOGIES, INC.

(Exact name or registrant as specified in its charter)

Nevada

95-4755369

(State or other jurisdiction
Incorporation or organization)

(I.R.S. Employer
Identification No.)

716 Yarmouth Rd Suite 215
Palos Verdes Estates, CA 90274

(Address of principal executive offices)

Registrant's telephone number, including area code: (310) 265-7776

Indicate by check mark whether the registrant (1) has filed all reports
Required to be filed by Section 13 or 15(d) of the Securities Exchange Act
Of 1934 during the preceding 12 months (or for such that the registrant was
Required to file such reports), and (2) has shorter period been subject to
Such filing requirements for the past 90 days. Yes No

APPLICABLE ONLY TO ISSUES INVOLVED IN BANKRUPTCY.

Indicate by check whether the registrant has filed all documents And report
required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange
Act of 1934 subsequent to the distribution of securities Under a plan
confirmed by a court. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes
of common stock, as of the latest practicable date.

As of December 31, 2004, approximately 30,369,020 shares of the
Registrant's Common Stock, \$0.001 par value were outstanding. As of
December 31, 2004, approximately 35,146,354 shares of the Registrant's
Class A Preferred Stock par value \$0.001 were outstanding.

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PART I. FINANCIAL STATEMENT ITEM
ITEM 1. FINANCIAL STATEMENTS

Advance Technologies, Inc.
(a Development Stage Company)
Consolidated Balance Sheets

| | ASSETS | |
|---------------------------|--------------------------------------|-----------------------|
| | December 31, 2004 | September 30, 2004 |
| | (Unaudited) | |
| Current Assets | | |
| Cash | \$ 2,664 | \$ 1,773 |
| Total Current Assets | 2,664 | 1,773 |
| Property & Equipment, Net | 4,921 | 6,562 |
| Total Assets | \$ 7,585 | \$ 8,335 |
| | ===== | ===== |
| | LIABILITIES AND STOCKHOLDERS' EQUITY | |
| | ----- | |
| Current Liabilities | | |
| Accounts Payable | \$ 4,883 | \$ 4,883 |
| Accrued Interest | - | - |
| Note Payable - Officer | 68,000 | 59,300 |
| Advance Royalties | - | - |
| | ----- | ----- |

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| | | |
|---|-----------|-----------|
| Total Current Liabilities | 72,883 | 64,183 |
| Long Term Liabilities | | |
| Line of Credit | - | - |
| Total Long Term Liabilities | - | - |
| Total Liabilities | 72,883 | 64,183 |
| Stockholders' Equity | | |
| Common Stock, Authorized 100,000,000 Shares of \$.001 Par Value, Issued and Outstanding 17,218,967 shares | 28,319 | 28,319 |
| Preferred Stock, Series A Authorized 100,000,000 Shares of \$.001 Par Value, Issued and Outstanding 38,858,057 Shares | 37,196 | 37,196 |
| Additional Paid in Capital | 558,389 | 550,889 |
| Deficit Accumulated During the Development Stage | (689,202) | (672,252) |
| Total Stockholders' Equity | (65,298) | (55,848) |
| Total Liabilities and Stockholders' Equity | \$ 7,585 | \$ 8,335 |

See accompanying notes to financial statements.
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Advance Technologies, Inc.
(a Development Stage Company)
Consolidated Statements of Operations
(Unaudited)

| | For the three months ended December 31, 2004 | For the three months ended December 31, 2003 | From the beginning of Development Stage October 1, 1985 thru December 31, 2003 |
|-----------------------------|---|---|--|
| | ----- | ----- | ----- |
| Revenues | | | |
| Royalty Income | \$ - | \$ - | \$ 25,000 |
| Consulting Fees | - | 3,132 | 65,390 |
| Product Sales | - | 119,073 | 119,073 |
| Total Sales | - | 122,205 | 209,463 |
| Cost of Goods Sold | | | |
| Product Purchases | - | - | 114,020 |
| Gross Profit | - | 122,205 | 95,443 |
| Operating Expenses | | | |
| Depreciation & Amortization | 1,614 | 1,964 | 46,937 |
| Organization Costs | - | - | 11,301 |

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| | | | |
|--|-------------|------------|--------------|
| Research & Development | - | - | 72,750 |
| General & Administrative | 15,309 | 58,957 | 728,390 |
| | ----- | ----- | ----- |
| Total Operating Expenses | 16,923 | 60,921 | 859,378 |
| Operating Income (Loss) | (16,923) | 61,284 | (763,935) |
| | ----- | ----- | ----- |
| Other Income (Expense) | | | |
| Miscellaneous Income | - | - | 98,000 |
| Interest Expense | - | - | (23,267) |
| | ----- | ----- | ----- |
| Total Other Income (Expense) | - | - | 74,733 |
| | ----- | ----- | ----- |
| Net Income (Loss) | \$ (16,923) | \$ 61,284 | \$ (689,202) |
| | ===== | ===== | ===== |
| Net Income (Loss) Per Share | \$ (0.00) | \$ 0.00 | \$ (0.19) |
| | ===== | ===== | ===== |
| Weighted Average Shares Outstanding | 28,319,416 | 22,766,317 | 3,665,599 |

See accompanying notes to financial statements.

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Advance Technologies, Inc.
(a Development Stage Company)
Consolidated Statements of Cash Flows
(Unaudited)

| | For the three months ended December 31, 2004 | For the three months ended December 31, 2003 | From the beginning of Development Stage October 1, 1985 thru December 31, 2003 |
|--|---|---|--|
| | ----- | ----- | ----- |
| Cash Flows from Operating Activities | | | |
| Net Income (Loss) | \$ (16,950) | \$ 61,284 | \$ (689,202) |
| Adjustments to Reconcile Net Loss to Net Cash Provided by Operations: | | | |
| Depreciation & Amortization | 1,641 | 1,963 | 46,964 |
| Stock Issued for Services | - | - | 403,025 |
| Organization Costs | - | - | 11,331 |
| Decrease in Prepaids | - | - | 14,680 |
| Change in Assets and Liabilities | | | |
| Increase (Decrease) in Accrued Liabilities | 8,700 | (9,637) | 72,557 |
| | ----- | ----- | ----- |
| Net Cash Provided(Used) by Operating Activities | (6,609) | 53,610 | (140,645) |
| Cash Flows from Investing Activities | | | |
| Investment in Subsidiary | - | - | 286 |
| Purchase of Equipment | - | - | (39,386) |
| | ----- | ----- | ----- |

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| | | | |
|--|-------|-----------|-----------|
| Net Cash Provided (Used) by Investing Activities | - | - | (39,100) |
| Cash Flows from Financing Activities | | | |
| Payments for Officer Loan | - | - | (48,200) |
| Proceeds from Officer Loan | - | - | 107,500 |
| Proceeds from Line of Credit | - | - | 85,500 |
| Proceeds from Issuance of Stock | 7,500 | - | 37,609 |
| | ----- | ----- | ----- |
| Net Cash Provided(Used) by Financing Activities | 7,500 | - | 182,409 |
| | ----- | ----- | ----- |
| Increase (Decrease) in Cash | 891 | 53,610 | 2,664 |
| Cash and Cash Equivalents at Beginning of Period | | | |
| | 1,773 | (2,029) | - |
| | ----- | ----- | ----- |
| Cash and Cash Equivalents at End of Period | 2,664 | 51,581 | 2,664 |
| | ===== | ===== | ===== |
| Cash Paid For: | | | |
| Interest | \$ - | \$ 15,695 | \$ 31,097 |
| | ===== | ===== | ===== |
| Income Taxes | \$ - | \$ - | \$ - |
| | ===== | ===== | ===== |

See accompanying notes to financial statements.

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Advance Technologies, Inc.
(A Development Stage Company)

Notes to the Consolidated Financial Statements
December 31, 2004

GENERAL

Advance Technologies, Inc. (the Company) has elected to omit substantially all footnotes to the financial statements for the three months ended December 31, 2004 since there have been no material changes (other than indicated in other footnotes) to the information previously reported by the Company in their Annual Report filed on Form 10-KSB for the fiscal year ended September 30, 2004.

UNAUDITED INFORMATION

The information furnished herein was taken from the books and records of the Company without audit. However, such information reflects all adjustments which are, in the opinion of management, necessary to properly reflect the results of the interim period presented. The information presented is not necessarily indicative of the results from operations expected for the full fiscal year.

Part II - Management's Discussion

BUSINESS OVERVIEW

The tragic events of September 11, 2001 and the resulting high level of security activity continues to effect ATI and our strategic plans. As time passes the impact is lessen and the over-all business recovery will improve. The cost of venture capital remains high for the technology sector. US Government restrictions on the application of Infrared

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Technology to commercial application continue to be tight as we learn to work with new restrictions and reporting requirements.

Advanced Technologies Inc. (AVTX) received notification from the United States Department of Commerce, Bureau of Industry and Security that an export license (D326061, effective September 21, 2004) has been granted for fifty (50) NV-2000 cameras.

The IR cameras are to be delivered to United Integrated Services Inc. Taipei Taiwan. The NV-2000 IR Cameras are for installation in the Spectrum 9000, an Infrared medical system. The Spectrum 9000 will then be re-sold to medical treatment facilities in Taiwan & South Korea in 2005.

The NV-2000 Infrared Camera has been granted a commodity jurisdiction designation of ECCN 6A003 for this application. The value of the export equipment authorized under and specified in the export license is \$250,000.

This is the third license granted to Adv-Tech from the DOC for the Spectrum 9000 medical equipment. The initial licenses were for 25 systems in 2001 and for 35 systems in 2003. The work performed by Advance Technologies Inc. is authorized under an agreement between United Integrated Services and Advance Technologies Inc. that cover this and other areas of mutual interest.

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Advanced Technologies was asked to provide assistance to Kollsman Inc. to plan their 2005 R & D activities. This activity is in response to an initiative by Kollsman to expand their commercial avionics business. Information and project definitions were prepared and presented to Kollsman senior management to assist them in their planning activity. The proprietary material provided to Kollsman is consistent with and compliant with the Advance Technologies Kollsman Technology Transfer Agreement, 1995.

Kollsman Instrument has provided the quarterly sales for period from October 1, 2004 to December 31, 2004, as well as accumulative sales to date. With the latest sales, the initial quantity of units for level 1 have been satisfied. Level 1, under terms of the agreement were designated as royalty free. With the satisfying of the initial sales, all future sales will provide royalties to Advance Technologies Inc. on a quarterly basis. Advance Technologies will report the royalty income. Information on number of units sold and/or the royalty fee per unit are competition sensitive and will not be report beyond any unit sales that Kollsman may elects to make public.

ENHANCED VISION ACTIVITIES

Enhance Vision System, our first project; has entered production. Advance Technologies benefits through a license agreement with Kollsman Inc. The EVS market continues to develop on schedule.

Gulfstream Aerospace announced the EVS Supplemental Type Certification (STC) for their G-IV Aircraft. The addition of the G-IV increases the EVS market by more than 500 systems. As a result of this action, Gulfstream now offers EVS as a retrofit on six models (GIV, GIV-SP, G300, G400, and GV). The retrofit modification is combined with scheduled maintenance and can be performed at five Service Centers in the USA. EVS remains standard equipment on G450 & G550 currently in production. See Gulfstream.com for more details.

The proposed rule change (February 2003, Federal Registrar) by the FAA was

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adopted after nearly a year of study and review. The flight rule specifically approves EVS for precision approaches in FAA defined low visibility operations. This rule takes away the last restriction, and EVS can now be expanded beyond the Business Jet (Part -91 operations) to the Regional Carriers (Part -135), Major Carriers (Part -121), and the Package Carrier operators (Part -127/-121).

Gulfstream Aerospace received the prestigious Collier Award for their G550 aircraft. This award was in recognition for Gulfstream's contribution to aviation. Industry observers have given Enhance Vision System credit as a key element in GAC winning the award.

The agreement between Kollsman and FedEx is proceeding with the EVS being slated for operation on all of FedEx's widebody aircraft. See Kollsman.com for the latest information.

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NITEAGLE

The advancements in price, performance, and delivery of the microbolometer IR technology have matured to the point where NITEAGLE is commercially viable. This long awaited event is key to several commercial applications besides NITEAGLE. ATI remains confident over the viability of the NITEAGLE opportunity, but the direction and timing of the business opportunity is unclear at this time.

SPECTRUM 9000, MEDICAL EQUIPMENT

Advanced Technologies continues to provide support to United Integrated Services Ltd. Taiwan. With the receipt of our third export license for UIS, Adv-Tech will be exporting 50 NV-2000, IR Cameras to UIS in 2005. The value of the export equipment is \$250,000.00 as specified in the US Department of Commerce License No. D326061. There has been no activity with regard to the potential importing of the Spectrum 9000 during this reporting period.

DEVELOPMENT PROJECTS

Advance Technologies Inc. continues development activities on new Infrared systems for commercial markets. These projects cannot be forecast with any degree of certainty and all strategic partnerships or business arrangements remain confidential until such time as a formal announcement is appropriate without compromising the development plan and/or the application market.

This release contains forward-looking statements within the meaning of the federal securities laws that relate to future events or Advance Technologies' future performance. All statements in this release that are not historical facts, including any statements about the markets, potential markets, market growth, and Advance Technologies' ability to compete in the Infrared Imaging markets are hereby identified as "forward-looking statements." In this release, Advance Technologies has based these forward-looking statements on management's current expectations. Such forward-looking statements should, therefore, be considered in light of various important factors as stated and unstated in Advance Technologies past filing. Actual results may differ from these statements due to risks and uncertainties, including those associated with the introduction of competing products, and market acceptance of existing and new products. Investors are cautioned not to place undue reliance on these forward-looking statements. Investors also should understand that it is not possible to predict or identify all risk factors. Advance Technologies has no

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obligation to publicly update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this release.

CAPITAL RESOURCES

No commitment for capital resources has been made during this reporting period.

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FINANCIAL ANALYSIS

The results on the operation present projects of likely future events that cannot be guaranteed. Therefore, the financial analysis does not include projects, and no quantitative assessment has been provided based upon the future discussion of potential events in section 3.

No material changes have been provided; therefore impact of unforeseeable events cannot be assessed.

Present financial plans are adequate to meet our cash flow needs with our current project schedule.

ADVANCE TECHNOLOGIES INC. BOARD OF DIRECTOR ACTIONS

Advance Technologies has completed the transition from a "development company" to a self-sustaining company. A summary of the Board of Director actions that were taken in 2004 are as summarized:

On June 15, 2004 the Board of Directors has authorize that all Class B preferred shares are eligible for conversion to Class A common shares provided the two year holding period has been satisfied. The effective date for 100% conversion is January 5, 2005.

On June 15, 2004 the Board of Directors extended an invitation to Gary L. Bane to re-join the Board of Directors of Advance Technologies Inc. Mr. Bane had been on ATI's BOD since our founding in 1992. Mr. Bane term on ATI's BOD was effective on September 1, 2004.

On June 15, 2004 the Board of Directors has authorized the contacting of two additional individuals to join ATI's Board of Directors. As a result of this action Mr. James Watson has joined the Board. See attached resume for details.

Wendy S. Ball, has resigned from the Board of Directors. Effective January 1, 2005. The management and Board of Directors of Advance Technologies wishes to thank Ms. Ball for her involvement with Adv-Tech over these many years and her contribution to our success to date.

As a result of prior Board of Director actions Class B, preferred Shares and Class A, Common share enjoy the same privileges of dividend participation and voting rights. The only different that remains between the two class of stocks, is the Class A common shares are listed and traded as AVTX on the NASDAQ small cap market.

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Mr. JAMES R. WATSON

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Sales, Marketing and General Management Executive with over twenty-five years experience in managing a wide range of marketing, sales and operations functions designed to create or expand domestic and international sales opportunities. Prior Experience:

CALIFORNIA MANUFACTURING TECHNOLOGY CONSULTING, Gardena, California,
Vice President Operations 2001-Present
Vice President Business Development 1999-2001

ANCHOR AUDIO, INC., Los Angeles, California, 1994 to 1999
Vice President Sales & General Manager Europe 1994-1999
National Sales Manager, 1992 to 1994

SUPERSHUTTLE INTERNATIONAL, INC., Los Angeles, California, 1987 to 1992
Vice President Sales & Marketing, 1990 to 1992
General Manager/Vice President Special Projects, 1987 to 1990

TOTAL AIR/AIR AMERICA., Los Angeles, California, 1986 to 1987
Vice President Marketing

NEEDHAM HARPER, WORLDWIDE., Los Angeles, California, 1985 to 1986
Vice President, Management Representative

WESTERN AIRLINES., Los Angeles, California, 1971 to 1985
Vice President Passenger & Cargo Sales, 1983 to 1985

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SIGNATURES

Pursuant to the requirement of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ADVANCE TECHNOLOGIES, INC.
(Registrant)

Date: January 22, 2005

By: /s/ GARY E. BALL

Gary E. Ball
President and Director

