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ADVANCE TECHNOLOGIES INC
Form 10QSB
May 14, 2003

FORM 10 QSB

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

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

For the quarterly period ended March 31, 2003

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:

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

As of March 31, 2003, approximately 22,766,517 shares of the Registrant's Common Stock, \$0.001 par value were outstanding.

As of March 31, 2003, approximately 38,748,857 shares of the Registrant's Class A Preferred Non-voting Stock par value \$0.001 were outstanding.

ITEM 1. FINANCIAL STATEMENTS

ADVANCE TECHNOLOGIES, INC.

(A Development Stage Company)

Consolidated Financial Statements

March 31, 2003

Chisholm & Associates, CPA
PO Box 540216
North Salt Lake, UT 84054
Tel: (801) 292-8756

ADVANCE TECHNOLOGIES, INC.
(a Development Stage Company)
Consolidated Balance Sheets

ASSETS

March 31,
2003

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(Unaudited)

| | |
|--|-----------|
| Current Assets | |
| Cash | \$ 11 |
| | ----- |
| Total Current Assets | 11 |
| | ----- |
| Property & Equipment, Net | 18,439 |
| | ----- |
| Total Assets | \$ 18,450 |
| | ===== |
| LIABILITIES AND STOCKHOLDERS' EQUITY | |
| Current Liabilities | |
| Accrued Interest | \$ 28,397 |
| Note Payable - Officer | 25,000 |
| Advance Royalties | 37,300 |
| | ----- |
| Total Current Liabilities | 90,697 |
| | ----- |
| Long Term Liabilities | |
| Line of Credit | 90,000 |
| | ----- |
| Total Long Term Liabilities | 90,000 |
| | ----- |
| Total Liabilities | 180,697 |
| | ----- |
| Stockholders' Equity | |
| Common Stock, Authorized 100,000,000 Shares of \$.001 Par Value, Issued and Outstanding 17,218,967 shares | 17,219 |
| Preferred Stock, Series A Authorized 100,000,000 Shares of \$.001 Par Value, Issued and Outstanding 38,858,057 Shares | 38,858 |
| Additional Paid in Capital | 446,446 |
| Deficit Accumulated During the Development Stage | (664,770) |
| | ----- |
| Total Stockholders' Equity | (162,247) |
| | ----- |
| Total Liabilities and Stockholders' Equity | \$ 18,450 |
| | ===== |

ADVANCE TECHNOLOGIES, INC.
(a Development Stage Company)
Consolidated Statements of Operations

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Cash Flows from Operating Activities

| | | | |
|---|----|----------|-------|
| Net Income (Loss) | \$ | (16,266) | \$ |
| Adjustments to Reconcile Net Loss to Net Cash Provided by Operations: | | | |
| Depreciation & Amortization | | 3,928 | |
| Stock Issued for Services | | - | |
| Organization Costs | | - | |
| Decrease in Prepaids | | - | |
| Change in Assets and Liabilities | | - | |
| Increase in Deferred Income | | - | |
| Increase (Decrease) in Accounts Payable and Accrued Expenses | | 5,130 | |
| | | ----- | ----- |
| Net Cash Provided(Used) by Operating Activities | | (7,208) | |
| | | ----- | ----- |
| Cash Flows from Investing Activities | | | |
| Investment in Subsidiary | | - | |
| Purchase of Equipment | | - | |
| | | ----- | ----- |
| Net Cash Provided (Used) by Investing Activities | | - | |
| | | ----- | ----- |
| Cash Flows from Financing Activities | | | |
| Payments for Officer Loan | | - | |
| Proceeds from Officer Loan | | 1,000 | |
| Proceeds from Line of Credit | | 4,500 | |
| Proceeds from Issuance of Stock | | - | |
| | | ----- | ----- |
| Net Cash Provided(Used) by Financing Activities | | 5,500 | |
| | | ----- | ----- |
| Increase (Decrease) in Cash | | (1,708) | |
| | | ----- | ----- |
| Cash and Cash Equivalents at Beginning of Period | | 1,719 | |
| | | ----- | ----- |
| Cash and Cash Equivalents at End of Period | \$ | 11 | \$ |
| | | ===== | ===== |
| Cash Paid For: | | | |
| Interest | \$ | - | \$ |
| | | ===== | ===== |
| Income Taxes | \$ | - | \$ |
| | | ===== | ===== |

ADVANCE TECHNOLOGIES, INC.
(A Development Stage Company)
Notes to the Consolidated Financial Statements
March 31, 2003

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GENERAL

Advance Technologies, Inc.(the Company) has elected to omit substantially all footnotes to the financial statements for the three and six months ended March 31, 2003 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, 2002.

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.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS AND PLAN OF OPERATIONS

Advance Technologies Inc. ("AVTX") is a developer of infrared (IR) Enhanced Vision technology for commercial solutions and applications. The Company engages in advance development activities and through strategic business arrangements AVTX utilizes OEM suppliers and major system corporations to form strategic business associations. This unique business model combines the strength of our organization with the prior capital investment of the OEMs and the in place established marketing and sales organization of the System Integrator. Our ability to bridge IR technology into application-specific markets shortens the development-to-market cycle and the investment risk.

Advance Technologies has entered into a licensing agreement with Kollsman, Inc in 1997., which has incorporated the Company's technology into an Enhanced Vision System ("EVS") for use with Gulfstream Aerospace aircraft. The Kollsman EVS has board applicability to commercial aviation.

BUSINESS OVERVIEW

The tragic events of September 11, 2001 has produced economic and bureaucratic shock waves that has had a direct effected on AVTX and our strategic plans. The effect has been most notable in the decline of the price of our common stock in the last year reflecting the general slow down of our markets.

The aftermath of 9-11 additionally effected Advance Technologies Inc. because of our involvement in Infrared Technology, a technology regulated by the US Government. Since AVTX is exclusively involved in commercial applications, and all of the technologies we employ are considered "dual use technology" (military and commercial), our government's restrictions have had little effect on the scope and direction of our strategic plans. Thus, our plans for future products has not materially changed. But, our government's new requirements to ensure our applications meet the commodity jurisdiction regulations and are compliant to the International Traffic in Arms Regulation (ITAR) have slowed our growth.

ATI entered into an agreement with an off-shore OEM strategic partner Telesis Electronics September of 2000, a Taiwanese privately held corporation. Under the terms of this agreement ATI is developing IR systems in conjunction with Telesis for sale in the USA as well as other foreign markets. Export licenses are required to provide critical components for this work. Approval for these licenses are taking more than a year to obtain. In October 2002, We were notified our second export license for 35 systems was approved, which is valid

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for two (2) years. Telesis has been notified, and we are waiting for instruction from Telesis on the business mechanics of payment, scheduling, and compliance information.

ENHANCED VISION ACTIVITIES

Enhance Vision System, our first project; has entered production. Advance Technologies benefits through a license agreement with Kollsman Inc.

Kollsman has issued the quarterly report required under the License Agreement to ATI stating xxxxxxx (xx) EVS have been delivered to their customer during this quarter.

UNITS DELIVERED & SOLD PER QUARTER

| | INITIAL DELIVERY | UNITS SOLD | TOTAL |
|--------------|------------------|------------|-------|
| 1ST QT. 2002 | 2 | 0 | 0 |
| 2ND QT. 2002 | 7 | 5 | 5 |
| 3RD QT. 2002 | 14 | 6 | 11 |
| 4TH QT. 2002 | 23 | 17 | 28 |
| 1ST QT. 2003 | YY | YY | YY |
| TOTAL | 45 | 28 | |

The delivery rates are increasing as Kollsman ramps up production. Kollsman has released no information on future production plans. Their Gulfstream customer continues to expand the application to additional aircraft through certification activity with the FAA. This will serve to increase and extend the EVS market.

Kollsman Instruments released a PRESS RELEASE in September 2002, titled, KOLLMAN'S ENHANCED VISION SYSTEM PRODUCTLINE EXPAND. The Press Release announced the introduction of a "new reduced performance EVS version" called Night Window TM, a low cost derivative of the high performance Kollsman's "All-weather Window" system. Kollsman has not released any additional information with regard to application, host platforms, or future sales. As this information become available, or creditable projections are made by independent sources, Advance Technologies will make appropriate announcements.

ATI and Telesis Technologies signed an EVS agreement, which designates Telesis Technologies as our EVS representative for Far East opportunities. This agreement gives Telesis the right to present limited information on EVS and the benefit that EVS can provide to civil aviation. Discussions by Telesis in the Far East has yielded no specific opportunities to date.

HONEYWELL TECHNOLOGY LICENSE

Honeywell provided ATI initial terms for a "field application" and/or "market use" of their Micro-bolometer technology. The terms and conditions have been evaluation by ATI. The terms are reasonable based upon assumptions on the price and availability of a low cost imports from Taiwan. This product has just recently became available. No price-performance information has been provided to date. Once this information becomes available, the need to negotiate and finalize an agreement with Honeywell will be addressed.

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NITEAGLETM

Telesis Technologies provided two preproduction units for market evaluation. Tests are completed. The baseline configuration is up to date with the latest advancements. The rapid pace of the technology as it enters production has been an impediment to finalizing the system, price reduction of 30% per year has been typical. We believe that 2003 will bring price and sourcing stability to the market.

Meetings last year were conducted with the ATI-Telesis team meeting with our launch customer (OEM RV supplier) and a key IR supplier in the USA. It was concluded the initial production of the restricted IR technology should be performed in the USA, while the balance of the unrestricted hardware would be imported from the Far East.

We are currently waiting on price and delivery information from our USA supplier. The plan to launch Niteagle has been prepared and submitted to Telesis. Once our USA supplier provides the necessary information, ATI and Telesis will seek final approval.

SPECTRUM 9000, MEDICAL EQUIPMENT

Telesis Technologies has not announced a date for introduction of the Spectrum 9000 into the US market. Telesis has announced the receipt of FDA approval from the US Government. ATI believes that Telesis will become active in the US market in 2003, and what role ATI will play in that activity has not been determined.

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.

CAPITAL RESOURCES

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

FINANCIAL ANALYSIS

The results on the operation represent 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. has received an offer to convert our Line of Credit Indebtedness into Class B restricted shares. Terms of the proposed agreement are in negotiations, and finalization is expected next quarter.

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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.

Date: May 14, 2003

ADVANCE TECHNOLOGIES, INC.
(Registrant)

By: /s/ GARY E. BALL

Gary E. Ball
President and Director

CERTIFICATION

I, Gary E. Ball, as the President and Director of ADVANCE TECHNOLOGIES, INC., certify that:

1. I have reviewed this quarterly report on Form 10-QSB of ADVANCE TECHNOLOGIES, INC.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 45 days prior to the filing date of

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this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 14, 2003

/s/ GARY E. BALL

Gary E. Ball
President and Director
ADVANCE TECHNOLOGIES, INC.