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ADVANCE TECHNOLOGIES INC  
Form 10QSB  
May 13, 2004

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 March 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

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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 March 31, 2004, approximately 22,897,717 shares of the Registrant's Common Stock, \$0.001 par value were outstanding. As of March 31, 2004, approximately 38,618,657 shares of the Registrant's Class A Preferred Stock par value \$0.001 were outstanding.

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ITEM 1. FINANCIAL STATEMENTS

ADVANCE TECHNOLOGIES, INC.

(A Development Stage Company)

Consolidated Financial Statements

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March 31, 2004

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

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

	December 31, 2003	Septem 2
	(Unaudited)	(Unaudited)
ASSETS		
Current Assets		
Cash	\$ 51,581	\$ (
	<u>51,581</u>	<u>(</u>
Total Current Assets	51,581	(
	<u>12,476</u>	<u>1</u>
Property & Equipment, Net	12,476	1
	<u>\$ 64,057</u>	<u>\$ 1</u>
Total Assets	\$ 64,057 =====	\$ 1 =====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable	\$ -	\$
Accrued Interest	-	-
Note Payable - Officer	46,800	4
Advance Royalties	25,000	2
	<u>71,800</u>	<u>4</u>

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Total Current Liabilities	71,800	8
Long Term Liabilities Line of Credit	-	
Total Long Term Liabilities	-	
Total Liabilities	71,800	8
Stockholders' Equity		
Common Stock, Authorized 100,000,000 Shares of \$.001 Par Value, Issued and Outstanding 17,218,967 shares	22,766	2
Preferred Stock, Series A Authorized 100,000,000 Shares of \$.001 Par Value, Issued and Outstanding 38,858,057 Shares	38,748	3
Additional Paid in Capital	549,780	54
Deficit Accumulated During the Development Stage	(619,037)	(68)
Total Stockholders' Equity	(7,743)	(6)
Total Liabilities and Stockholders' Equity	\$ 64,057	\$ 1

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

	For the three months ended December 31, 2003	For the three months ended December 31, 2002	From the beginning of Development stage October 1, 1985 thru December 31, 2003
Revenues	\$ 122,205	\$ 1,648	\$ 182,229
Operating Expenses			
Depreciation & Amortization	1,964	1,964	39,410
Organization Costs	-	-	11,331

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Research & Development	-	-	72,750
General & Administrative	58,957	4,605	691,809
	<u>          </u>	<u>          </u>	<u>          </u>
Total Operating Expenses	60,921	6,569	815,300
	<u>          </u>	<u>          </u>	<u>          </u>
Operating Income (Loss)	61,284	(4,921)	(633,071)
	<u>          </u>	<u>          </u>	<u>          </u>
Other Income (Expense)			
Miscellaneous Income	-	-	98,000
Interest Expense	-	(2,565)	(23,267)
	<u>          </u>	<u>          </u>	<u>          </u>
Total Other Income (Expense)	-	(2,565)	74,733
	<u>          </u>	<u>          </u>	<u>          </u>
Net Income (Loss)	\$ 61,284	\$ (7,486)	\$ (558,338)
	<u>          </u>	<u>          </u>	<u>          </u>
Net Income (Loss) Per Share	\$ 0.00	\$ (0.00)	\$ (0.23)
	<u>          </u>	<u>          </u>	<u>          </u>
Weighted Average Shares Outstanding	22,766,317	17,218,967	2,424,076
	<u>          </u>	<u>          </u>	<u>          </u>

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

	For the three months end December 31,	
	2003	200
	<u>          </u>	<u>          </u>
Cash Flows from Operating Activities		
Net Income (Loss)	\$61,284	\$ (7,4
Adjustments to Reconcile Net Loss to Net Cash Provided by Operations:		
Depreciation & Amortization	1,963	1,9
Stock Issued for Services	-	
Organization Costs	-	
Decrease in Prepaids	-	

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Change in Assets and Liabilities	-	
Increase in Deferred Income	-	
Increase (Decrease) in Accounts Payable and Accrued Expenses	(9,637)	2,5
	<hr/>	<hr/>
Net Cash Provided(Used) by Operating Activities	53,610	(2,9
	<hr/>	<hr/>
Cash Flows from Investing Activities		
Investment in Subsidiary	-	
Purchase of Equipment	-	
	<hr/>	<hr/>
Net Cash Provided (Used) by Investing Activities	-	
	<hr/>	<hr/>
Cash Flows from Financing Activities		
Payments for Officer Loan	-	
Proceeds from Officer Loan	-	
Proceeds from Line of Credit	-	4,5
Proceeds from Issuance of Stock	-	
	<hr/>	<hr/>
Net Cash Provided(Used) by Financing Activities	-	4,5
	<hr/>	<hr/>
Increase (Decrease) in Cash	53,610	1,5
	<hr/>	<hr/>
Cash and Cash Equivalents at Beginning of Period	(2,029)	1,7
	<hr/>	<hr/>
Cash and Cash Equivalents at End of Period	51,581	3,2
	<hr/>	<hr/>
Cash Paid For:		
Interest	\$ -	\$15,6
	<hr/>	<hr/>
Income Taxes	\$	\$
	<hr/>	<hr/>

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### 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.

### BUSINESS OVERVIEW

The tragic events of September 11, 2001 have produced economic and bureaucratic shock waves that continue to effect ATI and our strategic plans. As time goes on the effect on ATI is less and the over-all business recovery is improving. Cost of capital and venture capital remain difficult in the high technology sector. US Government restrictions on the application of Infrared Technology to commercial application continue as we learn to work with new restrictions and reporting requirements. The commercial applications are becoming easier, export restriction are more difficult. The effect has been most notable in the decline of the price of our common stock and a general slow down of our markets.

Advance Technologies has reached an agreement in principle with a marketing and sales group to launch the NITEAGLE program. Terms of this agreement are expected to be finalized in April 2004.

The acquisition of Telesis Technologies Inc., a privately held Taiwanese corporation was officially completed this fall by United Integrated Services (UIS), a publicly traded Taiwan Corporation. Our agent agreement and joint projects have been converted to UIS with no change in terms and conditions.

In January 2004 ATI delivered 15 Nightview camera to UIS for their Spectrum 9000 medical system sold in the far east. These units were exported under the terms of our agent agreement and in compliance with the terms and conditions of Department of Commerce License No. D293324 issued October 26, 2002. This second shipment completes the number of systems authorized under the export license.

ATI has applied for another export license for 50 additional IR Cameras. This will be the third license ATI has obtained for UIS (Telesis).

ATI was contacted by a medical service facility in the USA. The medical company is interested in conducting clinical trials on the Spectrum 9000 produced by UIS to investigate potential benefits in the treatment of diabetes, varicose veins, and other circulatory diseases.

### 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 a through March 31, 2004 a total program to date deliveries and sales.

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ANNUAL UNITS DELIVERED & SOLD

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	INITIAL DELIVERY	UNITS SOLD	TOTAL
	-----	-----	-----
Year 2002	47	29	29
Year 2003	108	107	107
Year 2004 (Q1)	19	28	28
<hr/>			
TOTAL	174	164	164

The EVS market continues to develop on schedule.

On March 30, 2004 Gulfstream Aerospace announced that they have received an amendment to 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.

The proposed rule change (February 2003, Federal Registrar) by the FAA have been 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).

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

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 beyond NITEAGLE. Details of the final NITEAGLE agreement will be released in our next quarterly filing.

SPECTRUM 9000, MEDICAL EQUIPMENT

Advanced Technologies is working with a US medical service company to provide a clinical study, peer group review proposal to study and evaluate potential benefits to the treatment of circulatory diseases such as varicose veins, diabetes, and other potential applications. This study will be conducted under the direction of well recognized Surgeon.

UIS has asked ATI to submit a peer review study proposal. UIS has offered a Spectrum 9000 to the medical company at a very competitive price. We are still waiting on the medical company to prepare the "peer group" study proposal. The medical company has been very busy with their start up, and we expect a firm proposal to initiate negotiations with UIS. ATI believes the Spectrum 9000 can be used on a joint basis for the medical company daily business as well as a "show and tell" demonstrator for the US market.

DEVELOPMENT PROJECTS

Advance Technologies Inc. continues development activities on new Infrared systems for commercial markets. These projects cannot be forecast with any



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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.

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### ADVANCE TECHNOLOGIES INC. BOARD OF DIRECTOR ACTIONS

The maturity of the Enhanced Vision Project has provided the need to make adjustments to prepare for our transition from a "development company" to a mature self-sustaining company. We anticipate a full transition by mid-2004. Accordingly, the following actions have been authorized by the AVTX Board of Directors to smooth the transition of AVTX.

On December 14, 2003 the Board of Directors directed the Corporate attorney to file for authorization to issue 4,000,000 shares of AVTX common stock for the purpose of generating operating capital for 2004. The proceeds of sales will be used to cover operating expense as AVTX completes their transition from a development company, dependent upon investments to an on-going profitable enterprise.

In February 2004, the Board of Directors rescinded the direction to the corporate attorney to file for the issuance of 4,000,000 shares and instructed the corporate attorney to prepare a Private Placement Memorandum for the private placement of 4,000,000 common shares subject to Rule 144 restrictions to provide for operating capital and new business development for 2004. Management believes this equity placement better suits the company's needs.

### 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.

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(Registrant)

Date: May 12, 2004

By: /s/ GARY E. BALL

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Gary E. Ball  
President and Director

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