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ADVANCE TECHNOLOGIES INC
Form 10QSB
February 14, 2003

[Disclosure Company Logo]

ADVANCE TECHNOLOGIES INC

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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 December 31, 2002

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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)	(I.R.S. Employer
Incorporation or organization)	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 {X} 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, 2001, approximately 17,218,967 shares of the Registrant's Common Stock, \$0.001 par value were outstanding.

As of December 31, 2001, approximately 38,858,057 shares of the Registrant's Class A Preferred Non-voting 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
December 31, 2002

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

ASSETS	December 31,	September 30,
	2002	2002
	-----	-----
	(Unaudited)	
Current Assets		
Cash	\$ 3,262	\$ 1,719
	-----	-----
Total Current Assets	3,262	1,719

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Property & Equipment, Net	20,403	22,367
Total Assets	\$ 23,665	\$ 24,086
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accrued Interest	\$ 25,832	\$ 23,267
Note Payable - Officer	25,000	25,000
Advance Royalties	36,300	36,300
Total Current Liabilities	87,132	84,567
Long Term Liabilities		
Line of Credit	90,000	85,500
Total Long Term Liabilities	90,000	85,500
Total Liabilities	177,132	170,067
Stockholders' Equity		
Common Stock, Authorized 100,000,000 Shares of \$.001 Par Value, Issued and Outstanding 17,218,967 shares	17,219	17,219
Preferred Stock, Series A Authorized 100,000,000 Shares of \$.001 Par Value, Issued and Outstanding 38,858,057 Shares	38,858	38,858
Additional Paid in Capital	446,446	446,446
Deficit Accumulated During the Development Stage	(655,990)	(648,504)
Total Stockholders' Equity	(153,467)	(145,981)
Total Liabilities and Stockholders' Equity	\$ 23,665	\$ 24,086

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Notes to the Consolidated Financial Statements
December 31, 2002

GENERAL

Advance Technologies, Inc.(the Company) has elected to omit substantially all

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footnotes to the financial statements for the three months ended December 31, 2002 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.

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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 advance IR technology into application-specific markets shortens the development-to-market cycle and associated high investment risks of this enterprise.

Advance Technologies has entered into a licensing agreement with Kollsman, Inc., which has incorporated the Company's technology into an Enhanced Vision System ("EVS") for use with Gulfstream Aerospace(R) aircraft.

Business Over-view

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 recent months reflecting the general slow down that has effected our markets.

The aftermath of 9-11 has effected Corporations such as Advance Technologies Inc. through our significant involvement in Infrared Technology, which is a controlled and regulated technology 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), the governments 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, the government has imposed new requirements on Corporation like AVTX to prove our system applications meet the commodity juristition regulations (commercial non-military end-use) to the Department of State through compliance to the International Traffic in Arms Regulation (ITAR).

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. Telesis has been

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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 eleven (11) EVS have been delivered to their customer.

UNITS DELIVERED & SOLD VERSUS 2002 (QUARTERLY)

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

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The delivery rates are increasing as Kollsman ramps up production. Kollsman has released no information on their future production plans. Their end user continues to expand the application to additional aircraft through certification activity with the FAA. This will serve to increase 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. The expansion of Kollsman into the higher volume, lower cost EVS market has been anticipated by Advance Technologies. This market is larger and is more accessible from an FAA certification standpoint.

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 provided no specific opportunity 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 and our partner Telesis. It appears the terms are reasonable based upon assumptions on the price and availability of a low cost import from Taiwan. This product will not be available until first quarter of 2003, therefore the need to finalize an agreement with Honeywell has been delayed until first or second quarter of 2003.

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NITEAGLETM

Telesis Technologies had provided two preproduction units for market evaluation and product finalization. Tests have been completed and detailed technical specifications of the production product completed. This process included the review and incorporation of technical advancements that have occurred in the last 18 months. The baseline configuration is up to date with the latest advancements to ensure that our economic base is solid and will not be obsolete with near term improvements. The rapid pace of these improvements has been an impediment to finalizing the system and coming to market.

Meetings in September were conducted with the ATI-Telesis team meeting with our potential launch customer (OEM RV supplier) and a key IR supplier in the USA. With the present ITAR restriction levied by the Department of State, ATI & Telesis 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. The meetings exceeded our expectations, and the product near term viability received a strong boost. Our business model was validated and our cost model is meeting our expectations. As always we retain back up and contingency plans to cover the unknown to the extent the unknown can be anticipated.

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The preliminary plan to launch the Niteagle project has been prepared and submitted to Telesis Electronics Board of Directors for approval. ATI has preciously approved the initial plan. We had expected approval prior to the end of this year and to initiate the most next and most critical phase, a broad agreement that includes ATI, Telesis, The exclusive launch customer, and our USA IR supplier. Delays with our US supplier has delayed the decision to proceed. It is unclear at this time, when we will be able to resolve present business issues..

Spectrum 9000, Medical Equipment

ATI continues to provide export license support under a time & service reimbursement agreement with Telesis Technologies. Telesis has not announced a date for introduction of the Spectrum 9000 into the US market. Additional discussions and meeting with medical equipment experts in the USA. ATI believes that Telesis will become activity 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

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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.

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: February 12, 2002

Advance Technologies, Inc.
(Registrant)

By: /s/GARY E. BALL

Gary E. Ball
President and Director