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ADVANCE TECHNOLOGIES INC  
Form 10QSB  
May 15, 2002

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, 2002

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  No

APPLICABLE ONLY TO ISSUES INVOLVED IN BANKRUPTCY.

Indicate by check whether the registrant has filed all documents And reports 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 March 31, 2002, approximately 2,572,923 shares of the Registrant's Common Stock, \$0.001 par value were outstanding.

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As of March 31, 2002, approximately 50,204,102 shares of the Registrant's Class A Preferred Non-voting Stock par value \$0.001 were outstanding.

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 13, 2002

Advance Technologies, Inc.  
(Registrant)

By: /s/ Gary E. Ball

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Gary E. Ball  
President and Director

ITEM 1. FINANCIAL STATEMENTS

ADVANCE TECHNOLOGIES, INC.

(A Development Stage Company)

Consolidated Financial Statements

March 31, 2002

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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, 2002 (Unaudited)
Current Assets	
Cash	\$ 774
Total Current Assets	774
Property & Equipment, Net	23,202
Total Assets	\$ 23,976

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities	
Accrued Interest	\$ 18,137
Note Payable - Officer	39,800
Advance Royalties	25,000
Total Current Liabilities	82,937
Long Term Liabilities	
Line of Credit	85,500
Total Long Term Liabilities	85,500
Total Liabilities	168,437
Stockholders' Equity	
Common Stock, Authorized 100,000,000 Shares of \$.001 Par Value, Issued and Outstanding 2,572,923 shares	2,573
Preferred Stock, Series A Authorized 100,000,000 Shares of \$.001 Par Value, Issued and Outstanding 50,204,102 Shares	50,204
Additional Paid in Capital	446,496
Deficit Accumulated During the Development Stage	(643,734)
Total Stockholders' Equity	(144,461)
Total Liabilities and Stockholders' Equity	\$ 23,976

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

	For the three months ended March 31,		For the six months ended March 31,	
	2002	2001	2002	2001
Revenues	\$ -	\$ -	\$ 17,447	\$ -
Operating Expenses				
Research & Development	-	-	-	-
General & Administrative	12,527	16,980	27,322	56,330
Total Operating Expenses	12,527	16,980	27,322	56,330
Operating Income (Loss)	(12,527)	(16,980)	(9,875)	(56,330)
Other Income (Expense)				
Miscellaneous Income	-	-	-	-
Interest Expense	(2,565)	-	(13,130)	-
Total Other Income (Expense)	(2,565)	-	(13,130)	-
Net Income (Loss)	\$ (15,092)	\$ (16,980)	\$ (23,005)	\$ (56,330)
Net Income (Loss) Per Share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.02)
Weighted Average Shares Outstanding	2,572,923	2,572,923	2,572,923	2,572,923

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

For the six months  
December 31

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	2001
	-----
Cash Flows from Operating Activities	
Net Income (Loss)	\$ (
Adjustments to Reconcile Net Loss to Net Cash	
Provided by Operations:	
Depreciation & Amortization	
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	
	-----
Net Cash Provided(Used) by Operating Activities	(
	-----
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	
Proceeds from Line of Credit	
Proceeds from Issuance of Stock	
	-----
Net Cash Provided(Used) by Financing Activities	
	-----
Increase (Decrease) in Cash	
	-----
Cash and Cash Equivalents at Beginning of Period	
	-----
Cash and Cash Equivalents at End of Period	\$
	=====
Cash Paid For:	
Interest	\$
	=====
Income Taxes	\$
	=====

ADVANCE TECHNOLOGIES, INC.  
(A Development Stage Company)  
Notes to the Consolidated Financial Statements  
March 31, 2002

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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, 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, 2001.

### 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 and commercial solutions. The Company has a worldwide license from Hughes Aircraft Company, Los Angeles, California for a patented advanced infrared Enhanced Vision System. Advance Technologies licenses and develops applied infrared enhanced vision solutions for use in diverse industries including aviation, recreational vehicles, commercial trucking, marine, security and fire fighting.

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.

On October 16, 2001, Gulfstream Aerospace Corporation, a wholly owned subsidiary of General Dynamics, announced it has received certification from the Federal Aviation Administration to install the "revolutionary" Enhanced Vision System on the Gulfstream V ultra-long range business jet aircraft. The FAA-issued Supplemental Type Certificate allows Gulfstream to offer EVS as an option on new GV ultralong range business jet aircraft and also to install the system as a retrofit on in-service GV aircraft.

Gulfstream Aerospace Corporation issued the following news release:

GULFSTREAM'S REVOLUTIONARY ENHANCED VISION SYSTEM RECEIVES FAA  
CERTIFICATION; STC APPROVES EVS FOR GV ULTRA-LONG RANGE BUSINESS JET  
AIRCRAFT

SAVANNAH, Georgia--(BUSINESS WIRE)--Oct. 16, 2001--Gulfstream Aerospace Corporation, a wholly owned subsidiary of General Dynamics (NYSE: GD), has received certification from the Federal Aviation Administration to install the revolutionary Enhanced Vision System on the Gulfstream V ultra-long range business jet aircraft.

The FAA-issued Supplemental Type Certificate allows Gulfstream to offer EVS as an option on new GV ultralong range business jet aircraft and also to install the system as a retrofit on in-service GV aircraft.

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"The EVS is a revolutionary safety enhancement for operators of Gulfstream V business jet aircraft," said Bill Boisture, Gulfstream president and chief operating officer. "Offered exclusively by Gulfstream, it significantly improves situational awareness for flight crews and provides instant access to the information needed to make safe flying decisions in adverse weather and low-visibility conditions."

Gulfstream has integrated the enhanced vision technology onboard the revolutionary Gulfstream V-SP; it is a standard component of its exclusive PlaneView(TM) cockpit. Next month Gulfstream will begin to design and test EVS for retrofit on in-service Gulfstream IV business jet aircraft. EVS will be offered as an option on all new Gulfstream IV-SP business jet aircraft. Certification for the GIV is expected by mid-year 2002.

"EVS and the exclusive PlaneView cockpit represent two more revolutionary firsts by a company that is already known for taking the leadership role in product development," said Pres Henne, senior vice president, programs.

The EVS incorporates a unique sensor system based on Forward-Looking Infrared (FLIR) technology developed and manufactured by Kollsman Inc., Merrimack, NH. The EVS sensor projects an infrared, real-world conformal image on Honeywell's Head-Up Display in the cockpit. The image enables a pilot to see through fog and darkness. In-service GVs outfitted with HUD can be retrofitted with EVS to achieve the same safety enhancements.

The FAA's Safer Skies initiative has identified several situations that cause accidents, including deteriorating weather conditions, controlled flights into terrain, runway incursions and mistakes during approaches and landings.

EVS can assist with each of these volatile situations. Enhancing vision during adverse weather conditions, darkness or obstructed landings significantly reduces the margin for error.

"As part of our FAA certification flight testing last month, three pilots and an FAA flight test engineer flew 80 approaches using EVS during the day and at night in all kinds of weather conditions," said Mike Mena, program manager for the GV-SP and EVS. "The Gulfstream flight crew, pilots Ron Newton and Gary Freeman and Flight Test Engineer Bill Osborne, flew the aircraft over mountains at night to show the FAA how well EVS detects terrain. EVS met or exceeded all expectations during this testing, successfully meeting the demanding FAA certification criteria. Thanks to their expertise and knowledge, our team was able to demonstrate EVS to the fullest extent possible."

"There's a lot of demand for the EVS," Mena added. "To date, we've sold about 35 Enhanced Vision Systems for GV retrofit installation. This number does not include the systems that will be installed as standard equipment on the GV-SP business jet aircraft." Gulfstream service centers will begin EVS retrofit installations on in-service GVs in the first quarter of 2002.

Gulfstream Aerospace Corporation, a wholly owned subsidiary of General Dynamics (NYSE:GD), designs, develops, manufactures, markets and services the world's most technologically advanced intercontinental business jet aircraft. Gulfstream has produced more than 1,200 aircraft for customers around the world since 1958. To meet the aviation needs of its customers, Gulfstream offers a full range of aircraft products and services, including the Gulfstream 100(R), Gulfstream 200(R), Gulfstream IV-SP(R), the

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ultra-long range Gulfstream V(R) and Gulfstream V-SP(R), Gulfstream Shares(R), Gulfstream Financial Services(R), Gulfstream Lease(R), Gulfstream Pre-Owned Aircraft Sales(R), Gulfstream Management Services(R) and Gulfstream ServiceCare(R). The company employs more than 8,750 people at eight locations. We invite you to visit our Web site at [www.gulfstream.com](http://www.gulfstream.com) for photos of Gulfstream aircraft and related information

General Dynamics, headquartered in Falls Church, Virginia, employs approximately 52,000 people and anticipates 2001 sales of approximately \$12 billion. The company has leading market positions in business aviation, information systems, shipbuilding and marine systems, and land and amphibious combat systems. More information about the company can be found at [www.generaldynamics.com](http://www.generaldynamics.com).

Enhance Vision System will enter production this year. AVTX benefits through its license agreement with Kollsman Inc. whereby AVTX achieves royalties that increase in time. AVTX will provide guidance based upon production commitments and delivery schedules between Gulfstream Aerospace Company and Kollsman Inc. as this information becomes available. In February 2002, as a result of the FAA's

granting of the Supplemental Type Certification in October 2001, Kollsman notified the Company that it has received its first production order for Enhanced Vision Systems (EVS). The purchase agreement calls for its initial aircraft launch customer to purchase in excess of 140 systems at a price of approximately \$1 million each. Under terms of this Agreement, Advance Technologies is entitled to royalties from the sale of EVS units for the commercial aviation market. This event marks the first Federal Aviation Administration (FAA) certified EVS to enter into production. As of March 31, 2002, no EVS systems have been delivered to Gulfstream. The Company expects additional sales based upon an industry report which indicates customers are selecting the EVS equipment option at a higher than anticipated rate. EVS is planned to be made available on additional aircraft in the future.

The Company anticipates a positive cash flow will occur by the third Quarter of 2002.

Enhance Vision Systems has been receiving extremely positive reviews in the professional publications. (Professional Pilot, November 2001, Avionics News, January 2002, Aviation Week & Space Technology, January 2001) Aviation International News, January 2002 called "EVS could easily be listed as one of the most important aviation safety innovations of the last 20 years." The achievement of EVS Certification was called by Aviation International News as "on the list of top news makers of the year (2001)".

AVTX and Kollsman also discussed collaboration on an Advanced EVS incorporating AVTX's proprietary technology that is not included or a part of the current production EVS. A process was initiated in which Kollsman would provide AVTX with certain hardware items to support AVTX's development activities for the Advanced EVS.

Advance Technologies, Inc. also continues its development phase with several projects moving forward at a pace dictated by market conditions, technical innovations and market factors.

NITEAGLE(TM) Advance Technologies' proprietary infrared system for recreational vehicles has been under field evaluation since delivery in November from our Taiwanese partner, Telesis Technologies. This unit is being evaluated for market acceptance and performance evaluation. The result of this evaluation will establish our future direction with product and a better understanding of its



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market potential. Telesis Technologies has provided AVTX a second preproduction system for our market evaluation and our market development activities. We are conducting marketing presentations and demonstrations of NITEAGLE(TM), which appear to be well-received.

AVTX and Telesis Technologies also have signed an agreement that designates Telesis Technologies as our EVS representative for Far East opportunities. This agreement gives Telesis the right to present limited information about AVTX's EVS technology to potential customers in which to identify the benefits that EVS can provide civil aviation.

Honeywell International solicited AVTX's participation in developing a "field application" and/or "market use" of their Micro-bolometer detector technology. Honeywell is establishing licenses for their Micro-bolometer detector technology, for both technology and fields of application. AVTX has provided Honeywell proprietary information on four potential license fields for potential development, and further discussions are ensuing.

Db-associates has submitted a market study proposal to Telesis Technologies to address key issues associated with introducing the Spectrum 9000, Infrared Thermograph Medical Instrument into the USA. The Spectrum 9000 was introduced in Taiwan in 2000 and in Korea in 2001. It has received excellent reviews from the medical community for its use in alternative medical applications. AVTX is

collaborating with Telesis under a time and service reimbursement agreement on a plan to introduce this system in the USA at some future time.

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 formal announcements are appropriate without compromising the development plan and/or the application marketplace.

### 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.

The Company has received revenue pursuant to an agent agreement with, that allows the Company to receive fixed monthly service fees, and to bill for additional services provided. The Company records revenues when the services are performed.

The Company is entitled to reimbursement for various expenses associated with the development of its night vision technology pursuant to the joint venture agreement with Telesis Technologies. These reimbursements are recorded as miscellaneous income when received.

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.

