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ADVANCE TECHNOLOGIES INC
Form 10KSB
January 18, 2005

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-KSB

(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended September 30, 2004

Commission File No. 0-27175

ADVANCE TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Nevada

95-4755369

(State or other jurisdiction of
Incorporation or organization)

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

716 Yarmouth Road # 215
Palos Verdes Estates, CA 90275

(Address of principal executive offices)

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

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class
Common Name of Each exchange on which registered
National Association of Securities Dealers Securities
registered pursuant to Section 12(g) of the Act:

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 shorter period that the
Registrant was required to file such reports), and (2)
has been subject to such filing requirements for the
past 90 days.

Yes {X} No { }

Indicate by check mark if disclosure of
delinquent filers pursuant to item 405 of Regulation
S-K is not contained herein, and will not be

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contained, to the best of registrants's knowledge, in definitive proxy or information statements incorporated by reference in part III of this Form 10-KSB or any amendment to this Form 10-KSB. {X}

Issuer's revenues for its most recent fiscal year were \$0.00

The aggregate market value of voting stock 28,319,416 held by non-affiliates of the Registrant as of September 30, 2004 was approximately \$ 649,482.

On October 1, 2004, approximately 37,195,958 preferred Shares of the Registrant's Common Stock, \$0.001 par value, were outstanding.

Documents Incorporated by Reference Exhibit A & Exhibit B

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PART I

ITEM 1. BUSINESS

Overview

Advance Technologies Inc. is a developer of Infrared Enhanced Vision Technology and commercial solutions. The company has a worldwide license from Hughes Aircraft company, Los Angeles, California for a patented advanced infrared imaging 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 applications. The Company is currently engaged in the development of night vision systems with applications in the commercial sector.

Advance Technologies has entered into a licensing agreement with Kollsman Inc., which has incorporated the company's technology and intellectual property into an Enhanced Vision System for use on the Gulfstream series of Aircraft. The system entered production in early 2002. Kollsman has announced a new enhanced vision product in late 2002 for use at the low-end private aviation market. This product is expected to enjoy the same success as the Gulfstream product but with a far larger market.

Background

Advance Technologies, Inc. ("the Company") The Company was organized under the laws of the State of Delaware under the name PWB Industries, Inc.; the articles of incorporation were issued June 16, 1969. The name was changed to Sun Energy, Inc. ("The Company"), which merged with Sto Med, Inc. on February 22, 1996 changing its name to Sto Med, Inc. ("The Company") and domicile to the State of Nevada. On February 23, 1996, Sto Med, Inc., a privately held California corporation, was acquired by Sto Med, Inc. ("The Company") the California Corporation acquisition was rescinded on August 23rd 1997. Sto Med Inc. ("The Company") the Nevada Corporation changed its name to Advance Technologies, Inc., ("The Company") on August 23rd 1997. On September 27, 1999 the "Company" acquired Seacrest Industries of Nevada, also known as Infrared Systems International.

The Company

The Registrant through its wholly owned subsidiary SEACREST INDUSTRIES, INC., and through its president and director Mr. Gary Ball was granted an exclusive world-wide license agreement for the use of US patent number 5,534,694 by Hughes Aircraft Company, for a key optical element of the Infrared Aircraft Landing System. Gary Ball founder and CEO of Infrared Systems International (ISI) a/k/a Seacrest Industries International, Inc. in 1992 formed the company for the singular purpose of providing manufacturing and sales support for the unique Infrared System called Enhanced Vision System (EVS). While employed by Electro-Optical Systems, a

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segment of Hughes Aircraft Company, as senior Program Manager and engineer, he led the research and development team responsible for the development of the Enhanced Vision System (EVS).

This technology was designed to allow aircraft pilots to actually "see" the airport environment through cloud ceiling or surface fog. The factor of enhanced safety, alone, is generating an enormous demand for this type of system.

Significant Corporate Milestones

In February of 2004 the Federal Aviation Administration adopted their proposed change for operating rules which has greatly expand the EVS market opportunities. These changes deal with the operating rules for flight operations under low or reduced visibility conditions. Advance Technologies Inc. is pleased with the finalization and the introduction of these needed changes.

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Gulfstream Aerospace announced at the NBAA show that EVS is available as optional equipment on the G500, G-V, G-400, G-IVSP, and G300 business jets. The optional equipment is available on new aircraft or retrofit to in service aircraft. In addition, EVS will be standard equipment on the new G550 and the newly announced G450.

At the NBAA show in Orlando, it was announced that Kollsman and FedEx have reached an agreement whereby Kollsman will provide EVS systems for FedEx's fleet of wide body aircraft. This market is estimated at 200 aircraft. The aircraft types involved are Boeing MD-10 & MD-11, and the Airbus A300 & A310. These additional aircraft types represent a major accomplishment for EVS.

Employees

The Company employs a total of three (3) employees, One of, which is full time, the other two are used on a reduced hour work week on an as required basis. This staff reduction is the result of economic conditions discussed in the Management Discussion Section in depth.

ITEM 2. PROPERTIES

The Company's executive offices are located in Palos Verdes Estates, California.

ITEM 3. LEGAL PROCEEDINGS

There are no legal proceedings known or pending against the Registrant or its subsidiary.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the Company's Security holders through the solicitation of proxies or Otherwise, during the fiscal year ended September 30, 2004.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

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The Company is currently trading, OTC, on the Nationals Association of Securities Dealers "Pink Sheets" with the high bid at \$0.13 per share and the low bid of \$0.02 per share during the last year. Additional information required by this item may be found in the Company's 2003 Financial Statements.

On September 30, 2004 there was 28,319,416 shares outstanding of registrant's common stock, at \$0.001 par value.

The increase of common stock from 22,766,517 to 28,319,416 resulted from conversion of 144 restricted stock to free trading stock. The conversion was authorized by the board of directors of Advance Technologies on January 1, 2003.

On September 30, 2004 there was 37,195,958 shares outstanding of registrant's preferred class B stock. The reduction from 42,748,857 to 37,195,958 was the result of the conversion of Class B shares to common shares by shareholders during the fiscal year.

Effective January 1, 2004 the board of directors has authorized the conversion of an additional 35% of preferred shares into common provided the holding period has been satisfied. This will increase the converted percentage to 100% once minimum holding periods have been satisfied.

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ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND REPORTS OF OPERATION

From time to time, we may publish forward-looking statements relating to matters, including anticipated financial performance business projects, the progress and goals for our research and development programs, marketing strategies, and other similar matters. The Private Securities Litigation Reform Act of 1995 provides a safe harbor; a variety of factors could cause Our actual results and experience to differ materially from the Anticipated results or other expectations expressed in our Forward-looking statements. In addition, we disclaim any Intent or obligation to update those forwarding-looking statements.

When used in this discussion, the words "believes," "anticipates" "expected", "assumes", "and similar expressions are intended to identify forward looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date of this report. We undertake no obligation to publicly release the results of any Revisions to these forward-looking statements that may be made To reflect events or circumstances after the date of this report or to Reflect the occurrence of unanticipated events.

MANAGEMENT DISCUSSIONS AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS 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

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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.

Highlights of the Year

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

ATI application for an export license for 50 additional IR Cameras for United Integrated Services has been approved. This will be the third license ATI has obtained for UIS. The export license application is with United States Department of Commerce. The explore value for the 50 units is \$250,000.00 as specified in the export license.

ENHANCED VISION ACTIVITIES

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

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Kollsman has issued a detailed report of all sales and deliveries through September 30, 2004. The EVS market continues to develop on schedule. As stated in our June 30, 2004 filing we will no longer report on units delivered and sold. In lieu of this we will report on royalties received. This change has been done to prevent tracking of EVS sales by potential competitors. This action is in response to increase activity in the EVS market. In the future Advance Technologies will report only those unit sales publicly reported by Kollsman.

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. See Gulfstream.com for more details.

The proposed rule change (February 2003, Federal Registrar) by the FAA was adopted after nearly a year of study and review. The flight rule specifically approvals 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

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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 additional details.

In June Elbit Systems Ltd., the parent company of Kollsman announced that they have concluded an agreement with Honeywell to supply the electro-optical projection units for the FedEx program. This is an important step forward to develop a full EVS capability (i.e. HUD & EVS) For additional information see Elbitsystems.com.

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. As a result of the termination of negotiations with the major principles, other options will be explored for NITEAGLE. ATI has been working with key suppliers for 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 was 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.

The US medical service company has experienced start up problems with their LASER equipment. The nature and extent of the problem is unknown. The impact of the problem has cause a delay in the program. ATI has informed UIS of the current status, and the situation is under review.

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

Advance Technologies had reached an agreement via a letter of intent in principle with a marketing and sales group to launch the NITEAGLE program. Terms of this agreement were projected to be completed in April 2004. As of September 30, 2004 a final agreement has not been reached. As of now, ATI believes that it is unlikely that a satisfactory agreement can be reach. Therefore, ATI has re-open our discussions with other potential business partners.

ATI application for an export license for 50 additional IR Cameras for United Integrated Services has been approved. This will be the third license ATI has obtained for UIS. The export license application is with United States Department of Commerce. The explore value for the 50 units is \$250,000.00 as specified in the export license.

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ATI was contacted by a medical service facility in the USA. The medical service company is interested in conducting clinical trials on the Spectrum 9000 produced by UIS to investigate potential benefits in the treatment of circulatory diseases. The medical company is fully engaged in bring their core business (varicose vein treatment) up to speed utilizing a new approach based upon LASER technology. This project has been placed on hold. As a result, ATI will continue to investigate other options as they present themselves.

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.

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ITEM 7. FINANCIAL STATEMENTS.

ADVANCE TECHNOLOGIES, INC.
(A Development Stage Company)

Consolidated Financial Statements

September 30, 2004 and 2003

C O N T E N T S

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/Letterhead/

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders of
Advance Technologies, Inc.
(A Development Stage Company)

We have audited the accompanying consolidated balance sheets of Advance Technologies, Inc. (a development stage company) as of September 30, 2004 and 2003 and the related statements of operations, stockholders' equity and cash flows for the years ended September 30, 2004 and 2003 and from inception on October 1, 1985 through September 30, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Advance Technologies, Inc. (a development stage company) as of September 30, 2004 and 2003 and the results of its operations and cash flows for the years ended September 30, 2004 and 2003 and from inception on October 1, 1985 through September 30, 2004 in conformity with the standards of the Public Company Accounting Oversight Board (United States).

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has minimal assets and is dependent upon financing to continue operations. These factors raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in the Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Chisholm, Bierwolf & Nilson, LLC

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Chisholm, Bierwolf, & Nilson, LLC
 Bountiful, Utah
 December 27, 2003

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

ASSETS

	2004	September 30, 2003
	-----	-----
CURRENT ASSETS		
Cash	\$ 1,773	\$ -
	-----	-----
Total Current Assets	1,773	-
	-----	-----
PROPERTY & EQUIPMENT, net	6,562	14,440
	-----	-----
TOTAL ASSETS	\$ 8,335	\$ 14,440
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Bank Overdraft	\$ -	\$ 2,029
Accounts payable	4,883	9,637
Accrued Interest	-	-
Advance Royalties	-	25,000
Notes payable-officer	59,300	46,800
	-----	-----
Total Current Liabilities	64,183	83,466

LONG-TERM DEBT

Line of Credit	-	-
	-----	-----

TOTAL LIABILITIES	64,183	83,466
-------------------	--------	--------

STOCKHOLDERS' EQUITY

Common stock, authorized 100,000,000 shares of \$0.001 par value, issued and outstanding 28,319,416 and 22,766,517 shares, respectively	28,319	22,766
Preferred Stock, Series A authorized 100,000,000 shares of \$0.001 par value, issued and outstanding 37,195,958 and 38,748,857 shares, respectively	37,196	38,749
Additional paid-in capital	550,889	549,780
Retained earnings (deficit)	(672,252)	(680,321)
	-----	-----
Total Stockholders' Equity	(55,848)	(69,026)
	-----	-----

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outstanding	25,219,406	20,249,214	3,338,729
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

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Advance Technologies, Inc.
(A Development Stage Company)
Consolidated Statements of Stockholders' Equity
(For the period of entering development stage on October 1, 1985
through September 30, 2004)

	Common Shares	Stock Amount	Additional Paid-In Capital	Preferred Shares	Stock Amount	Deficit Accumulated During the Development Stage
	-----	-----	-----	-----	-----	-----
Balance, October 1, 1985 (beginning of the development stage)	6,487	\$ 7	\$58,161	-	\$ -	\$ (60,701)
Shares issued for coal royalties at \$0.01	4,369	4	1,525	-	-	-
Shares issued for services at \$0.25	554	1	4,849	-	-	-
Shares issued for services at \$0.03	1,601	2	1,680	-	-	-
Shares issued for services at \$0.25	1,274	1	11,145	-	-	-
Shares issued for services at \$0.01	2,290	2	798	-	-	-
Shares issued for services at \$0.25	37,203	37	325,487	-	-	-
Preferred shares issued for services	-	-	-	10,048	1,004	-
Preferred shares expire	-	-	1,004	(10,048)	(1,004)	-
Net loss since the beginning of the development stage at October 1, 1985	-	-	-	-	-	(344,001)
Balance, September 30, 1995	53,778	54	404,649	-	-	(404,702)
Shares issued for services at \$0.25	5,714	6	49,994	-	-	-
Share round up	(6)	(1)	-	-	-	-

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Net loss for
the year ended
September 30, 1996 - - - - - (50,000)

Balance,
September 30, 1996 59,486 59 454,643 - - (454,702)

The accompanying notes are an integral part of these financial statements.

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Advance Technologies, Inc.
(A Development Stage Company)
Consolidated Statements of Stockholders' Equity
(For the period of entering development stage on October 1, 1985
through September 30, 2004)

	Common Stock Shares	Stock Amount	Additional Paid-In Capital	Preferred Stock Shares	Stock Amount	Deficit Accumulated During the Development Stage
Balance Forward	59,486	59	454,643	-	-	(454,702)
Shares issued for services at \$0.25	608	1	5,324	-	-	-
Net loss for the year ended September 30, 1997	-	-	-	-	-	(5,325)
Balance, September 30, 1997	60,094	60	459,967	-	-	(460,027)
Shares issued for services at \$0.001	12,828	13	436	-	-	-
Net loss for the year ended September 30, 1998	-	-	-	-	-	(447)
Balance, September 30, 1998	72,922	73	460,403	-	-	(460,474)
Shares issued for cash at \$0.01	2,500,000	2,500	22,500	-	-	-
Shares issued for common stock of SeaCrest Industries Corp. at \$0.001	-	-	(36,457)	50,254,102	50,254	-
Net loss for the year ended September 30, 1999	-	-	-	-	-	(90,126)
Balance, September 30, 1999	2,572,922	2,573	446,446	50,254,102	50,254	(550,600)

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Net loss for the year ended September 30, 2000	-	-	-	-	-	(101,799)
Balance, September 30, 2000	2,572,922	2,573	446,496	50,254,102	50,254	(652,399)

The accompanying notes are an integral part of these financial statements.

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Advance Technologies, Inc.
(A Development Stage Company)
Consolidated Statements of Stockholders' Equity
(For the period of entering development stage on October 1, 1985
through September 30, 2004)

	Common Shares	Stock Amount	Additional Paid-In Capital	Preferred Shares	Stock Amount	Deficit Accumulated During the Development Stage
Balance Forward	2,572,922	2,573	446,446	50,254,102	50,254	(652,399)
Net income (loss) for the year ended September 30, 2001	-	-	-	-	-	31,669
Balance, September 30, 2001	2,572,922	2,573	446,446	50,254,102	50,254	(620,730)
Shares issued for services at \$0.001	3,250,000	3,250	-	-	-	-
Shares converted to common stock	11,396,045	11,396	-	(11,396,045)	(11,396)	-
Net income (loss) for the year ended September 30, 2002	-	-	-	-	-	(27,774)
Balance, September 30, 2002	17,218,967	17,219	446,446	38,858,057	38,858	(648,504)
Shares issued for conversion of debt	5,438,350	5,438	103,334	-	-	-
Shares issued for conversion of Preferred stock	109,200	109	-	(109,200)	(109)	-
Net income (loss) for the year ended September 30, 2003	-	-	-	-	-	(31,817)
Balance, September 30, 2003	22,766,517	22,766	549,780	38,748,857	38,749	(680,321)
Shares issued for						

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private placement	4,000,000	4,000	1,109	-	-	-
Shares issued for conversion of Preferred stock	1,552,899	1,553	-	(1,552,899)	(1,553)	-
Net income (loss) for the year ended September 30, 2004	-	-	-	-	-	8,069
Balance, September 30, 2004	28,319,416	\$28,319	\$550,889	37,195,958	\$ 37,196	\$(672,252)

The accompanying notes are an integral part of these financial statements.

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

	For the Year Ended		For the Period of entering Development Stage on October 1, 1985 Through September 30, 2004
	2004	2003	2004
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	\$ 8,069	\$ (31,817)	\$ (672,252)
Adjustments to reconcile net loss to net cash, provided by operations:			
Stock issued for services	-	-	403,025
Depreciation & Amortization	7,877	7,927	45,323
Organization Costs	-	-	11,331
Decrease in prepaids	-	-	14,680
Increase (Decrease) in accrued liabilities	(31,782)	11,671	68,857
Net Cash Flows Used in Operating Activities	(15,836)	(12,219)	(134,036)
CASH FLOWS USED IN INVESTMENT ACTIVITIES			
Purchase of Equipment	-	-	(39,386)
Investment in Subsidiary	-	-	286
Net Cash Used in Investment Activities	-	-	(39,100)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash paid on Loan from Officer	(7,000)	-	(48,200)
Proceeds from Loan from Officer	19,500	10,500	107,500
Proceeds from Line of Credit	-	-	85,500
Proceeds from Issuance of Stock	5,109	-	30,109
Net Cash Flows from Financing Activities	17,609	10,500	174,909
NET INCREASE (DECREASE) IN CASH	1,773	(1,719)	1,773

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CASH, BEGINNING OF YEAR	-	1,719	-
	-----	-----	-----
CASH, END OF YEAR	\$ 1,773	\$ -	\$ 1,773
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

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Advance Technologies, Inc.
(A Development Stage Company)
Consolidated Statements of Cash Flows
-Continued-

			For the Period of entering Development Stage on October 1, 1985 Through September 30, 2004
	For the Year Ended September 30, 2003		September 30, 2004
	-----	-----	-----

SUPPLEMENTAL CASH FLOW INFORMATION

Cash Paid for:

Interest	\$ -	\$ -	\$ -	\$ -
Taxes	\$ -	\$ -	\$ -	\$ -

SUPPLEMENTAL NON-CASH INFORMATION

In March 2003, the Company issued 5,438,350 shares for the satisfaction of a line of credit and accrued interest in the amount of \$108,772.

During the year ending September 30, 2003, a total of 109,200 shares of preferred stock were converted to common stock.

During December 2001, the Company issued 3,250,000 shares of common stock for services valued at \$3,250 (or \$.001 per share).

During the year ending September 30, 2002, a total of 11,396,045 shares of preferred stock were converted to common stock.

During the year ending September 30, 2004, a total of 1,552,869 shares of preferred stock were converted to common stock.

The accompanying notes are an integral part of these financial statements.

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Advance Technologies, Inc.
(A Development Stage Company)
Notes to the Consolidated Financial Statements

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September 30, 2004 and 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization

The Company was organized under the laws of the state of Delaware on June 16, 1969 as PWB Industries, Inc. On November 10, 1975, the Company changed its name to Sun Energy, Inc. At that time, the Company began operations in the oil and gas lease industry. By 1985, the Company discontinued its operations and became dormant. On March 6, 1996, the Company attempted a merger which failed. On August 23, 1997, the Company changed its name to Advance Technologies, Inc. and changed its place of domicile to from Delaware to Nevada.

On September 27, 1999, pursuant to a plan of acquisition, the Company exchanged 50,254,102 shares of its Series "A" preferred stock for 50,254,102 shares of SeaCrest Industries Corporation's common stock. This acquisition has been accounted for using the purchase method of a business combination.

The Company is currently engaged in the development of a night vision system with applications in the military as well as civil. The Company has an agreement with a Taiwan company wherein they are jointly developing the night vision system for use in Class A coaches. The Company is also involved in the development of other Electro-optical mechanical devices.

b. Accounting Method

The Company recognizes income and expenses on the accrual basis of accounting.

c. Consolidation

The consolidated financial statement include the accounts of Advanced Technologies, Inc. and SeaCrest Industries Corporation, a wholly owned subsidiary. Intercompany transactions have been eliminated.

d. Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less to be cash equivalents.

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Advance Technologies, Inc.
(A Development Stage Company)
Notes to the Consolidated Financial Statements
September 30, 2004 and 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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e. Earnings (Loss) Per Share

The computation of earnings per share of common stock is based on the weighted average number of shares outstanding at the date of the financial statements.

	For the Years Ended September 30, 2004		2003	From Inception on October 1, 1985 Through September 30, 2004
Numerator - net loss	\$	8,062	\$ (31,817)	\$ (672,252)
Denominator - weighted average number of shares outstanding		20,249,214	20,249,214	3,338,729
Loss per share	\$	(0.00)	\$ (0.00)	\$ (0.20)

f. Provision for Income Taxes

No provision for income taxes has been recorded due to net operating loss carryforwards totaling approximately \$679,252 that will be offset against future taxable income. These NOL carryforwards begin to expire in the year 2004. No tax benefit has been reported in the financial statements because the Company believes there is a 50% or greater chance the carryforward will expire unused.

Accordingly, per FASB 109, the potential tax benefits of the loss carryforwards are offset by the valuation of the same amount.

Deferred tax assets and the valuation account is as follows at September 30, 2004 and 2003.

	September 30, 2004		2003
Deferred tax asset:			
NOL carryforward	\$	196,946	\$ 231,200
Valuation allowance		(196,946)	(231,200)
Total	\$	-	\$ -

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. In these financial statements assets and liabilities involve extensive reliance on management's estimates. Actual results could differ from those estimates.

h. Revenue Recognition

The Company receives revenues for consulting services performed and product sales. Consulting services are recorded as sales when services are complete. Product sales are recorded as revenue when the products are shipped to the buyer.

NOTE 2 - GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company is dependent upon raising capital to continue operations. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. It is management's plan to raise capital in order to define expand their business operations, thus creating necessary operating revenue.

NOTE 3 - DEVELOPMENT STAGE COMPANY

The Company is a development stage company as defined in Financial Accounting Standards Board Statement No. 7. It is concentrating substantially all of its efforts in raising capital and developing its business operations in order to generate significant revenues.

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Advance Technologies, Inc.
(A Development Stage Company)
Notes to the Consolidated Financial Statements
September 30, 2004 and 2003

NOTE 4 - PROPERTY & EQUIPMENT

Property & Equipment consists of the following at September 30, 2004 and 2003:

September 30,

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	2004	2003
	-----	-----
Equipment	\$ 39,386	\$ 39,386
Less: Accumulated Depreciation	(32,824)	(24,946)
	-----	-----
Net Property & Equipment	\$ 6,562	\$ 14,440
	=====	=====

Expenditures for property and equipment and for renewals and betterments, which extend the originally estimated economic life of assets or convert the assets to a new use, are capitalized at cost. Expenditures for maintenance, repairs and other renewals of items are charged to expense. When items are disposed of the cost and accumulated depreciation are eliminated from the accounts, and a gain or loss is included in the results of operations.

The provision for depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The useful lives of equipment are 5 years. Depreciation expense for the years ended September 30, 2004 and 2003 are \$7,877 and \$7,927, respectively.

NOTE 5 - ADVANCED ROYALTIES

SeaCrest Industries Corporation, formerly Infrared Systems International, Inc., entered into a licensing agreement for marketing and distributing of infrared aircraft landing systems. Seacrest received \$25,000 in advances. These royalty revenues were deferred until revenue streams occur. During the fiscal 2004 year, the Company generated sales of the systems and claimed the royalty as income.

NOTE 6 - RELATED PARTY TRANSACTIONS

As of September 30, 2004 and 2003, the Company owes an officer the Company \$66,300 and \$46,800 for loans made. This note payable-officer is considered a current liability with no provision for interest.

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Advance Technologies, Inc.
(A Development Stage Company)
Notes to the Consolidated Financial Statements
September 30, 2004 and 2003

NOTE 7 - COMMON STOCK

During December 2001, the Company issued 3,250,000 shares of previously authorized but unissued common stock for consulting services for \$3,250 (or \$.001 per share).

During the year ended September 30, 2002, 11,396,045 shares of preferred stock were converted to common stock.

In December 2002, the Company issued 5,438,350 shares of common stock in satisfaction of \$85,500 in debt and \$23,267 of accrued interest.

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During the year ended September 30, 2003, preferred shareholders converted 109,200 shares of preferred stock for 109,200 shares of common stock.

During the year ended September 30, 2004, preferred shareholders converted 1,552,899 shares of preferred stock for 1,552,899 shares of common stock. There was also a private placement of common stock in the amount of 4,000,000 shares for cash of \$5,109.

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ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTS ON ACCOUNTING FINANCIAL DISCLOSURE:

None

PART III

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

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 had anticipated a full transition by mid-2004, it now appears achievement of this milestone will be in the fourth quarter of 2004 or January 2005. Accordingly, the following actions have been authorized by the AVTX Board of Directors to smooth the transition of AVTX.

On June 15, 2004 the Board of Directors has authorize that all Class B preferred shares to be 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 withdrew from the BOD in 2002 due to pressing demands from his many business ventures. We are pleased that Mr. Bane's schedule abated, which has permitted him to re-join the BOD. Mr. Bane term on ATI's BOD will be effective on October 1, 2004.

Wendy S. Ball, has resigned from the Board of Directors, effective January 1, 2005.

Mr. James Watson has joined Advance Technologies Board of Directors. Mr. Watson's extensive experience as Director of Marketing for Western Airlines will provide value in sight into marketing issues effecting the entry of EVS into the passenger segment of commercial aviation. Mr. Watson's term with the Board will begin January 1, 2005.

In February 2004, the Board of Directors directed our 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. As of September 30, 2004, 560,000 shares of ATI preferred shares has been placed, and the activity is continuing.

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GARY E. BALL Age 67, residing in Manhattan Beach, California is married. He attended California State University at Long Beach graduating in 1968 with a BSEE and MSEE, went on to perform Graduate Studies at University of Southern California. He has specialized in product design, development, and management for North American Aviation, Autonetics Division. Technical Manager in charge of the Pave Track program for Ford Aerospace. Program Manager for Northrop Electro-Mechanical in charge of business development on several classified DOD programs, including the AMRAAM effort. Program Manager for Hughes Aircraft where he developed the Infrared Enhanced Vision System, reporting to the President of EDSG as directed by General Motors and directed all non-core business. He is a member of NATO NIAG study group on Aircraft Integration. He has authored several articles for trade publications, the last 4 years he has provided consulting services to 10 U.S. and foreign corporations in the field of IR technology.

WENDY BALL Age 56, residing in Manhattan Beach, California is married. She graduated from University of Southern California, BS cum Laude. Her career has been focused on retail merchandising, where she has demonstrated exceptional skills in management, team building and communications. She is National Sales Director for Christian Lacroix New York, a wholly owned subsidiary of Louis Vitton Moet Hennessey (LVNH). She was an account executive for Carolee Jewelry for Southern California, Arizona and Utah. She was co-owner Brava Specialty Clothing Store in Redondo Beach, California.

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ITEM 10. EXECUTIVE COMPENSATION

Other than information provided in the Company's 2003 Financial Statements incorporated herein, executive officers and directors have received no other compensation.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

<u>Title of Class</u>	<u>(1) Name and Address of Beneficial Owner</u>	<u>(2) Amount and Nature of Beneficial Ownership</u>	<u>Percent of Class</u>
Preferred	Gary E. Ball 28 Santa Cruz Court Manhattan Beach, CA 90266	9,240,000 Issued Shares	15.0
Preferred	Wendy Ball 28 Santa Cruz Court Manhattan Beach, CA 90266	9,240,000 Issued Shares	15.0

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Gary E. Ball and Wendy Ball are married.

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PART IV

ITEM 13. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

The following documents are filed as part of this Form 10-KSB Annual Report:

Exhibit 31 - Section 302 Certification

Exhibit 32 - Section 906 Certification

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: January 14, 2005

Advance Technologies, Inc.
(Registrant)

By: /s/ GARY E. BALL

Gary E. Ball
President and Director

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