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ADVANCE TECHNOLOGIES INC  
Form 10QSB  
February 14, 2006

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-QSB

QUARTERLY REPORT UNDER SECTION 13  
OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31 2005

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF  
THE EXCHANGE ACT

For transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-17953

Advance Technologies Inc.  
(Exact Name of Small Business Issuer as Specified in its Charter)

Nevada  
(State or other jurisdiction of  
incorporation or organization)

95-4755369  
(I.R.S. Employer  
Identification No.)

15 N. Longspur Drive  
The Woodlands, TX 77380  
(Address of Principal Executive Offices)

(310) 213-2143  
(Issuer's telephone number)

Check whether the issuer (1) filed all reports required to be filed by  
Section 13 or 15(d) of the Exchange Act during the past 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  NO

Indicate by check mark whether the registrant is a shell company (as  
defined in Rule 12b-2 of the Exchange Act).

YES  NO

State the number of shares outstanding of each of the issuer's classes of  
common equity, as of the latest practicable date: As of December 31, 2005:  
39,498,217 of Common & 26,177,157 of Preferred.

Transitional Small Business Disclosure Format (check one):

YES  NO

INFORMATION REQUIRED IN ANNUAL REPORTS OF TRANSITIONAL SMALL  
BUSINESS ISSUERS

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PART I  
Financial Information

ITEM 1. FINANCIAL STATEMENT  
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ADVANCE TECHNOLOGIES, INC. AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)  
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	ASSETS -----	
	December 31, 2005	September 30, 2005
	----- (Restated)	-----
CURRENT ASSETS:		
Cash	\$ -	\$ 2,934
Accounts receivable	6,300	6,600
Prepaid expenses	478	-
	-----	-----
Total Current Assets	6,778	9,534
PROPERTY AND EQUIPMENT, net	565	851
	-----	-----
TOTAL ASSETS	\$ 7,343	\$ 10,385
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) -----		
CURRENT LIABILITIES:		
Bank overdraft	\$ 83	\$ -
Accounts payable	14,337	16,921
Notes payable - officer	71,750	71,000
Liability to be settled by issuance of stock	-	8,000
	-----	-----
Total Current Liabilities	86,170	95,921
STOCKHOLDERS' EQUITY (DEFICIT):		
Series A convertible preferred stock, \$.001 par value, 100,000,000 shares authorized, 26,337,157 and 26,017,157 shares issued and Outstanding, respectively	26,337	26,017
Common stock, \$.001 par value, 100,000,000 shares authorized, 39,498,217 and 39,498,217 shares issued and outstanding, respectively	39,498	39,498
Additional paid-in capital	574,069	558,389
Deficit accumulated during the development stage	(718,731)	(709,440)
	-----	-----
Total Stockholders' Equity (Deficit)	(78,827)	(85,536)
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 7,343	\$ 10,385
	=====	=====

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See accompanying notes.

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ADVANCE TECHNOLOGIES, INC. AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)  
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Months Ended December 31,		For the Period From Entering Development Stage on October 1, 1985 through December 31,
	2005	2004	2005
	(Restated)		(Restated)
REVENUES:			
Royalty	\$ 6,300	\$ 900	\$ 48,400
Consulting	-	-	67,843
Product	-	-	119,073
Total Revenues	6,300	900	235,316
COST OF GOODS SOLD	-	-	114,020
GROSS PROFIT	6,300	900	121,296
OPERATING EXPENSES:			
Depreciation and amortization	286	1,614	51,320
Research and development	-	-	72,750
Other general and administrative	15,305	15,309	790,690
Total Operating Expenses	15,591	16,923	914,760
OPERATING INCOME (LOSS)	(9,291)	(16,023)	(793,464)
OTHER INCOME (EXPENSE):			
Miscellaneous income	-	-	98,000
Interest expense	-	-	(23,267)
Total Other Income (Expense)	-	-	74,733
NET INCOME (LOSS)	\$ (9,291)	\$ (16,023)	\$ (718,731)
NET INCOME (LOSS) PER SHARE	\$ (0.00)	\$ (0.00)	\$ (0.13)
WEIGHTED-AVERAGE SHARES OUTSTANDING	39,498,217	28,319,416	5,358,905

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See accompanying notes.

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ADVANCE TECHNOLOGIES, INC. AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)  
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Three Months Ended December 31,		For the Period From Entering Development Stage on October 1, 1985 through December 31,
	2005	2004	2005
	(Restated)		(Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net Income (Loss)	\$ (9,291)	\$ (16,023)	\$ (718,731)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:			
Depreciation & Amortization	286	1,614	51,320
Organization Costs	-	-	11,331
Stock issued for services	8,000	-	419,025
(Increase) decrease in accounts receivable	300	(900)	(6,300)
(Increase) decrease in prepaid expenses	(478)	-	14,202
Increase (decrease) in accrued liabilities	(2,584)	8,700	73,311
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(3,767)</b>	<b>(6,609)</b>	<b>(155,842)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property and equipment	-	-	(39,386)
Investment in subsidiary	-	-	286
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>-</b>	<b>-</b>	<b>(39,100)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from bank overdraft	83	-	83
Cash paid on loan from officer	-	-	(48,200)
Proceeds from loan from officer	750	-	119,950
Proceeds from line of credit	-	-	85,500
Proceeds from Issuance of Stock	-	-	30,109
Capital contribution	-	7,500	7,500
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<b>833</b>	<b>7,500</b>	<b>194,942</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(2,934)</b>	<b>891</b>	<b>-</b>

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CASH AT BEGINNING OF PERIOD	2,934	1,773	-
CASH AT END OF PERIOD	-	2,664	-

SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for:

Interest	\$ -	\$ -	\$ -
Income taxes	\$ -	\$ -	\$ -

SUMMARY OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

In October and December 2005, the Company issued 320,000 shares of Series A convertible preferred stock to pay \$4,000 in director fees and \$12,000 in salary.

See accompanying notes.  
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ADVANCE TECHNOLOGIES, INC. AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

GENERAL

Advance Technologies, Inc. and Subsidiary (the Company) has elected to omit substantially all footnotes to the financial statements for the three months ended December 31, 2005 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, 2005.

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.

RESTATEMENT

Subsequent to filing its Form 10-KSB for the year ended September 30, 2005, the Company discovered that (1) its revenues had been recorded on a cash basis rather than accrual, (2) its revenues had not been recorded net of discounts, and (3) officer and director compensation had not been accrued. Shortly, the Company intends to file an amended Form 10-KSB for the year ended September 30, 2005. The restatement had the following effects on the amounts presented herein:

	September 30, 2005 Balance Sheet		
	Before Restatement	After Restatement	Difference
Accounts receivable	\$ -	\$ 6,600	\$ 6,600
Current assets	2,934	9,534	6,600

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Total assets	3,785	10,385	6,600
Liability to be settled by issuance of stock	-	8,000	8,000
Current assets	87,921	95,921	8,000
Retained earnings	(708,040)	(709,440)	(1,400)
Stockholders' equity (deficit)	(84,136)	(85,536)	(1,400)

Statement of Operations for the Three  
Months Ended December 31, 2004

	Before Restatement	After Restatement	Difference
Royalty revenues	\$ -	\$ 900	\$ 900
Total revenues	-	900	900
Other general and administrative expense	15,309	15,309	-
Operating income (loss)	(16,923)	(16,023)	900
Net income (loss)	(16,923)	(16,023)	900
Net income (loss) per share	(0.00)	(0.00)	-

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Statement of Operations for the Period from  
Entering Development Stage on  
October 1, 1985 through December 31, 2005

	Before Restatement	After Restatement	Difference
Royalty revenues	\$ 57,800	\$ 48,400	\$ (9,400)
Total revenues	244,716	235,316	(9,400)
Other general and administrative expense	798,690	790,690	(8,000)
Operating income (loss)	(792,064)	(793,464)	(1,400)
Net income (loss)	(717,331)	(718,731)	(1,400)
Net income (loss) per share	(0.13)	(0.13)	-

ITEM 2. MANAGEMENT & DISCUSSIONS

MAJOR ACTIVITY

Highlights of First Quarter

The NBAA annual show in October allowed Kollsman to put on display their new initiatives in Enhanced Vision and related markets. Advance Technologies Inc. directs the interested reader to Kollsman.com PR's releases. At the same time Gulfstream unveiled their plans for a smaller light weight Corporate Business Jet aimed for a smaller passenger market. We refer the reader to the Press Releases at Gulfstream.com.

The Niteagle program took an important step forward with the signing

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of a license agreement with a new Nevada corporation (RVS). AVTX will be providing RVS support under the terms of the agreement. The ATI-RVS License agreement is incorporated in this quarterly report as Exhibit 33.

ATI has secured a provisional patent application for our new Infrared Security System (ISS) project. With the protection of our intellectual property ATI has been contacting parties which may have an interest in active participation. All contacts to date are preliminary and confidential.

### Enhanced Vision System (EVS)

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

Kollsman has issued a detailed report of all sales and deliveries through December 31, 2005. The EVS market continues to develop on schedule. Sales are increasing but at a modest rate.

The agreement between Kollsman and FedEx is proceeding with the EVS being slated for operation on all of FedEx's wide-body aircraft. See Kollsman.com for additional details.

### NITEAGLE

The NITEAGLE Project will be transferred to RVS in early 2006 under the terms of the ATI-RVS License Agreement.

### OTHER DEVELOPMENT ACTIVITIES

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.

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### Recreational Vehicles Systems (RVS)

Advanced Technologies signed a licensing agreement with Recreational Vehicle Systems (RVS), a Nevada Corporation. Under terms of the agreement Adv-Tech will provide technical know-how and development support to RVS to develop an Infrared Imaging System for the license field of Recreational Vehicles. In consideration for our technical support and certain licensed technical property rights ATI will receive a royalty on each unit sold. No sales are projected before late 2006 or early 2007. The terms of the agreement specify \$300.00 per system sold for a period of ten years initiated by the first sale.

### Medical Systems

The sale of 50 NVS cameras to United Integrated Services (UIS, a Taiwan Corporation) under an export license granted by the United States Commerce Department is still pending. UIS as indicated their desire to complete this sale before the export license expires in June 2006. We believe there is less than a 50% chance that UIS will be able to comply with the license requirements prior to the expiration date. Revenue impact is negligible.

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Infrared Security System (ISS)

A provisional patent pending has been obtained for our Infrared Security System. This protection for our intellectual property rights will allow us to aggressively engage in discussion with potential partners and customers. Preliminary discussions have been initiated.

OPERATIONS

In 2006 Advance Technologies will be establishing our headquarters in Woodland Texas. The Board of Directors has instructed the CEO to initiate a review of our operations to ascertain our future needs. Our primary source of future income will be through our licensing agreements. Our development activities are being conducted in concert with strategic partners, relying upon their capital resources. Recommendations on how to best optimize shareholder value will be formulated and presented to the Board in the near future.

The development activity at Adv-Tech has shifted from internal hardware based R&D activity to external technical marketing with potential partners. This shift has been created by Infrared Imaging Cameras and Systems moving from high technology to more of a commodity or production component. The system application and embedded application software represents most of the future opportunities for Advance Technologies.

DIRECTORS, EXECUTIVE OFFICERS AND SIGNIFICANT EMPLOYEES.

(a) Directors and Executive Officers

Name	Age	Position
Gary E. Ball	68	CEO, President, and Director
Gary L. Bane	67	Director (1)
James Watson	57	Director (2)

- (1) Became a director on October 1, 2004.
- (2) Became a director on January 1, 2005.

(b) Qualifications

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

Mr. JAMES R. WATSON

Sales, Marketing and General Management Executive with over twenty-



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five years experience in managing a wide range of marketing, sales and operations functions designed to create or expand domestic and international sales opportunities.

CALIFORNIA MANUFACTURING TECHNOLOGY CONSULTING, Gardena, California, 1999-Present, Vice President Operations 2001-Present

He was responsible for marketing, sales, consulting services and the development of delivery tools and services. Re-directed the organization from a service to industry "Go to Market" strategy by establishing teams for the Aerospace & Defense and Distribution industry.

In the past Mr. Watson was Vice President of Passenger & Cargo sales for WESTERN AIRLINES, Los Angeles, California. He was responsible for managing over 1100 people in sales programs, field sales, reservations and advertising with a budget in excess of \$150 million.

GARY E. BALL

Age 68, residing in The Woodlands, Texas is married. He attended California State University at Long Beach graduated with a BSEE and MSEE, went on to perform Graduate Studies at University of Southern California. Was Program Manager for Hughes Aircraft where he developed the Infrared Enhanced Vision System reporting to the President of EDSG. Was a member of NATO NIAG study group on Aircraft Integration. He has authored several articles for trade publications, the last 9 years he has provided consulting services to 10 U.S. and foreign corporations in the field of IR technology.

Gary L. Bane

Age 67, Mr. Bane has been employed as an independent consultant for the last seven years after retiring from Boeing Marine Systems. Mr. Bane has BS and MS degrees from the University of Southern California in engineering and management fields. Mr. Bane belongs to several government committees involved in Ocean engineering and related fields. Mr. Bane has a large consulting practice in his field of Marine Engineering. Mr. Bane consults with Boeing and several other Marine engineering firms.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS.  
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There has been no legal proceeding involving Advance Technologies Inc.

Item 9. REMUNERATION OF DIRECTORS AND OFFICERS.  
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Effective October 1, 2005 the previously approved Executive compensation plan was put into effect. Under the provision of the plan preferred shares of AVTX were issued to the CEO/President of AVTX and the Board of Directors. The issuing of these shares (160,000 Class B shares) to the Board of Directors and the Chief Operating Officer/President of Advance Technologies Inc. increased the outstanding shares of Class B to 26,177,157. This action is in accordance with the proposed and accepted Executive Compensation Plan.

Item 10. SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN SECURITY HOLDERS.  
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Title of class	Name and address of owner	Amount owned	Percent of class
Common	Gary Ball	7,800,000	12%
Common	Wendy Ball	7,800,000	12%
Common	Gary L. Bane	1,200,000	2%
Preferred	Jim Watson	20,000	~

PERSONS HOLDING WARRANTS, OPTIONS OR OTHER RIGHTS.

No other person is known to hold 10% or more of a class of equity securities of AVTX.

ITEM 11. INTEREST OF MANAGEMENT AND OTHERS IN CERTAIN TRANSACTIONS.

Gary Ball has provided office space for the executive offices of AVTX, for which Mr. Ball has received \$0.00 monthly compensation.

PART II

ITEM 1. MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY AND OTHER SHAREHOLDER MATTERS.

Advance Technologies Inc. is traded under the symbol of AVTX on the NASDAQ BB. The high and low share prices for the last two fiscal years by are:

	Common Stock Bid Price	
	Low	High
Fiscal Year 2004		
First Quarter	.02	.09
Second Quarter	.04	.08
Third Quarter	.03	.05
Fourth Quarter	.02	.03
Fiscal Year 2005		
First Quarter	.02	.04
Second Quarter	.03	.09
Third Quarter	.04	.08
Fourth Quarter	.03	.06

SHAREHOLDERS OF AVTX

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Common Stock, (39,498,217 shares) there was 1,023 shareholders listed by Pacific Stock Transfer Company, our agent of record on December 31, 2005.

Preferred Stock, (26,177,157) there were 128 shareholders listed by Pacific Stock Transfer Company, our agent of record on December 31, 2005.

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### DIVIDENDS

There have been no dividends paid to shareholders in the last two years.

### EQUITY COMPENSATION PLANS

The Equity Compensation paid to key employees, directors and/or Executive Officers in the last two years was 160,000 shares, October 15, 2005.

### ITEM 2. DESCRIPTION OF EXHIBITS

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See Item 2 of Part III, below.

### ITEM 3. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS

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Not applicable.

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

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Not applicable.

### ITEM 5. COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT.

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The Board of Directors, all Officers, and major shareholders of 10% or more of Advance Technologies Inc. are in compliance with all reporting requirements of the exchange act.

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PART III

ITEM 1. INDEX TO EXHIBITS

Exhibit Number	Description	Page Number
2.1	Articles of Incorporation (1)	
2.2	Amendment to Articles of Incorporation filed on November 10, 1975(1)	
2.3	Amendment to Articles of Incorporation filed on December 6, 1982(1)	
2.4	Amended Bylaws (1)	
3.1	See Articles of Incorporation, as Amended (1)	
6.1	License Agreement dated July 1997 with Kollsman, Inc. (1)	
31.1	Certification of President, Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	13
32.1	Certification of President, Chief Executive Officer and Chief Financial Officer Pursuant to Rule 13-14 or Rule 15-14 of the Securities and Exchange Act of 1934 as adopted pursuant to Section 906 of The Sarbanes-Oxley act of 2002.	15
33.1	License Agreement with Infrared Vision Sensor System	16

(1) Incorporated by reference to the exhibits to Registrant's Registration Statement on Form 10-SB filed on August 30, 1999, File Number 000-27175.

ITEM 2. DESCRIPTION OF EXHIBITS.

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The Exhibits follow the Signature Page.

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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: February 12, 2006

Advance Technologies, Inc.  
(Registrant)

By: /s/ GARY E. BALL

-----  
Gary E. Ball  
President and Director

