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ADM TRONICS UNLIMITED INC/DE
Form 10QSB
November 19, 2004

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

(Mark One)

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

For the quarterly period ended September 30, 2004

OR

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

For the transition period from _____ to _____

Commission File No. 0-17629

ADM TRONICS UNLIMITED, INC.
(Exact name of registrant as specified in its Charter)

Delaware
(State or Other Jurisdiction of Incorporation or organization)

22-1896032
(I.R.S. Employer Identification Number)

224-S Pegasus Ave., Northvale, New Jersey 07647
(Address of Principal Executive Offices)

Issuer's Telephone Number, including area code: (201) 767-6040

Check whether the Issuer (1) has 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 Issuer was required to file such reports), and (2) has been subject to the filing requirements for the past 90 days:

YES NO

State the number of shares outstanding of each of the Issuer's classes of common equity, as of the latest practicable date:

51,882,037 shares of Common Stock, \$.0005 par value,
as of October 25, 2004

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ADM TRONICS UNLIMITED, INC.
CONSOLIDATED BALANCE SHEETS

		(UNAUDITED) SEPTEMBER 30, 2004	MARCH 31, 2004
Current assets:	ASSETS		

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Cash and equivalents	\$2,161,390	\$ 90,081
Accounts receivable - trade, less allowance for doubtful accounts of \$4,593	124,988	118,433
Inventories:		
Raw materials and supplies	105,034	159,497
Finished goods	35,445	63,438
Equipment held for sale	343,101	388,715
Other current assets	39,133	32,993
Total current assets	2,809,091	853,157
Property and equipment - at cost, net of accumulated depreciation of \$267,930 and \$268,353, respectively	11,329	8,887
Equipment in use and under lease agreements - At cost net of accumulated depreciation of \$821,731 and \$758,330, respectively	116,494	179,895
Loan receivable from officer, bearing interest at 3% per annum, unsecured	49,188	49,188
Deferred financing costs and other assets	425,246	56,433
Total assets	3,411,348	1,147,560
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable - trade	\$ 124,985	\$ 159,798
Accrued expenses and other current liabilities	91,723	51,340
Total current liabilities	216,708	211,138
Unsecured Convertible 6% Notes Payable	2,687,500	-
Note payable, long-term	135,000	135,000
Total long term liabilities	2,822,500	135,000
Stockholders' equity	372,140	801,422
Total liabilities and stockholders' equity	\$3,411,348	\$1,147,560

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ADM TRONICS UNLIMITED, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	SEPTEMBER 30,		SEPTEMBER 30,	
	2004	2003	2004	2003
Revenues	\$267,686	\$321,475	\$652,983	\$ 593,783
Costs and expenses:				
Cost of sales	196,191	172,321	365,770	331,574

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Selling, general and administrative	564,634	182,621	756,441	343,254
Total costs and expenses	760,825	354,942	1,122,211	674,828
Operating loss	(493,139)	(33,467)	(469,228)	(81,045)
Other income:				
Interest and other income	39,879	77	39,946	166
Net loss	(453,260)	(33,390)	(429,282)	(80,879)
Net loss per share	\$(0.009)	\$(0.001)	\$(0.008)	\$(0.002)

ADM TRONICS UNLIMITED, INC.
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2004
(UNAUDITED)

	Preferred Shares 5,000,000 Authorized \$.01 Par Value	Common Shares 150,000,000 Authorized \$.0005 Par Value	Par Value	Capital in excess of Par Value	Accumulated Deficit	Total
Balances - March 31, 2004	-	51,882,037	\$25,941	\$6,813,368	\$(6,037,887)	\$801,422
Net loss for the period ended September 30, 2004					(429,282)	(429,282)
Balances - September 30, 2004	-	51,882,037	\$25,941	\$6,813,368	\$(6,467,169)	\$372,140

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ADM TRONICS UNLIMITED, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	SIX MONTHS ENDED SEPTEMBER 30,	
	2004	2003*
Cash flows from Operating activities:		
Net loss	\$ (429,282)	\$(80,879)
Adjustments to reconcile net (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	69,174	77,505
Changes in operating assets and liabilities:		
Accounts receivable - trade	(6,555)	(11,701)
Inventories	128,070	75,107
Other current assets	(6,140)	(600)
Other assets	1,527	3,507

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Accounts payable - trade	(34,813)	(16,296)
Accrued expenses and other	40,383	(20,689)
 Net cash flows provided by (used in) operating activities	 (237,636)	 25,954
 Cash flows from Investing activities:		
Purchases of fixed assets	(8,215)	-
 Net cash flows provided by (used in) investing activities	 (8,215)	 -
 Cash flows from Financing activities:		
Gross proceeds from private placement offering - notes payable,	\$2,687,500	-
Costs of private placement offering	(370,340)	-
 Net cash provided by Financing activities	 \$2,317,160	 -
 Net change in cash and cash equivalents	 \$2,071,309	 \$ 25,954
 Cash and cash equivalents--beginning of period	 \$ 90,081	 \$ 49,765
 Cash and cash equivalents--end of period	 \$2,161,390	 \$ 75,719

Supplemental disclosure of cash flow activities:

Interest paid	-	-
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*reclassified

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ADM TRONICS UNLIMITED, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note 1-Basis of Presentation:

The consolidated balance sheet at the end of the preceding fiscal year has been derived from the audited consolidated balance sheet contained in the Company's annual report on Form 10-KSB for the fiscal year ended March 31, 2004 (the "Form 10-KSB") and is presented for comparative purposes. All other financial statements are unaudited. In the opinion of management, all adjustments which include only normal recurring adjustments necessary to present fairly the financial position, results of operations and changes in financial positions for all periods presented have been made. The results of operations for interim periods are not necessarily indicative of the operating results for the full year.

Footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States have been omitted in accordance with the published rules and regulations of the Securities and Exchange Commission. These consolidated financial statements should be read in conjunction with the financial statements and

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notes thereto included in the Form 10-KSB.

Note 2. Segment Information

Information about segment information is as follows:

Six Months Ended September 30, 2004:	CHEMICAL	MEDICAL	TOTAL
Revenues from external customers	436,486	216,497	652,983
Segment profit (loss)	26,196	(495,424)	(469,228)

Six Months Ended September 30, 2003:

Revenues from external customers	466,747	127,036	593,783
Segment profit (loss)	(58,543)	(22,502)	(81,045)

Three Months Ended September 30, 2004:

Revenues from external customers	196,529	71,157	267,686
Segment profit (loss)	(7,917)	(485,222)	(493,139)

Three Months Ended September 30, 2003:

Revenues from external customers	225,530	95,945	321,475
Segment profit (loss)	(35,299)	1,832	(33,467)

Note 3. Private Placement Offering

a) The Company is in the process of a private placement offering with regard to its subsidiary, Ivivi Technologies, Inc., formerly known as AA Northvale Medical Associates, Inc. ("Ivivi"), of up to 35 Units for an aggregate price of \$3,500,000. Each Unit consists of a i) \$100,000 Joint Unsecured

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Convertible Note payable on December 31, 2009, ii) one Class A Common Stock Purchase Warrant of the Company, and iii) one Class A Common Stock Purchase Warrant of Ivivi. Investors may exercise either warrant, but not both. Those warrants which are non-exercised must be surrendered to either the Company or Ivivi. The Joint unsecured 6% Convertible Notes may be converted into Common Stock of Ivivi or Common Stock of the Company at a conversion price as defined in the private placement memorandum. Management has not assigned any value to the warrants. As of September 30, 2004 the Company has raised \$2,687,500 of 6% Convertible Notes Payable from such offering of which approximately \$370,000 were for costs incurred in raising such funds. These costs have been deferred and included in other assets. The conversion feature of the notes and the exercise of the warrants is allowed through November, 2009. It is anticipated by management that the holders of the notes will convert the notes payable into either common stock of Ivivi or of the Company in the near future. If the noteholders convert the notes to common stock, the costs of such financing will be charged to the capital in excess of par value account. If the notes are not converted, then such costs will be amortized over the term of the notes.

Selling, general and administrative expenses for the three-month period ended September 30, 2004 include the compensation for Ivivi's new management team which has been employed to develop, expand and market Ivivi's business which is principally the SofPulse medical device technology and the expenses related thereto.

In connection with the private placement offering, Ivivi is planning to file a Registration Statement with the Securities and Exchange Commission for its

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common stock. There is a mandatory conversion of the notes into the common stock of Ivivi upon the effectiveness of such registration. Reference is made to the Company's Current Report on Form 8K dated August 31, 2004.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources

At September 30, 2004 the Company had cash and equivalents of \$2,161,390 as compared to \$90,081 at March 31, 2004. This increase was the result of proceeds received by the Company from a private placement financing offset by costs of such financing and by cash used in operations.

Operating Activities

Net cash flows used in operating activities was \$237,636 for the six months ended September 30, 2004 as compared to net cash flow provided by operating activities of \$25,954 for the six months ended September 30, 2003. This increase was primarily due to increased costs related to the Company's medical device subsidiary's expansion of personnel and increased other operational expenses related thereto.

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Investing Activities

The Company purchased fixed assets of \$8,215 during the period.

Financing Activities

The Company has received net proceeds of \$2,317,160 from a private placement offering of Unsecured Convertible Notes and Warrants for the Company's and a subsidiary's common stock.

The Company does not have any material external sources of liquidity or unused sources of funds.

Results of Operations Quarter Ended September 30, 2004

Revenues

Revenues were \$267,686 in 2004 as compared to \$321,475 in 2003 representing a decrease of \$53,789 or 17%. This decrease was the result of a decrease in revenues from the Company's medical electronic activities of \$24,788 and a decrease in chemical revenues of \$29,001.

Gross Profit

Gross profit of \$71,495 in 2004 was \$77,659 below the gross profit of \$149,154 in 2003. Gross profit was 27% of revenues in 2004 as compared with 46% of revenues in 2003. The decrease in gross profit margin was primarily due to the product mix of sales with higher sales of products with a lower gross margin.

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Operating Loss

Operating loss in 2004 was \$493,139 compared to \$33,467 in 2003. Selling, general and administrative expenses increased by \$382,013 or 209% in the 2004 period primarily due to significant increases in personnel and overhead expenses of the Company's medical device subsidiary, Ivivi Technologies, Inc. that were funded by the receipt of proceeds from a private placement offering instituted to fund such increased operations.

Other Income

Other income in 2004 was \$39,879 as compared to \$77 in 2003. The increase was primarily from payments received pursuant to the settlement of litigation and increased interest income from increased amounts invested.

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Results of Operations

Six Months Ended September 30, 2004

Revenues

Revenues were \$652,983 in 2004 as compared to \$593,783 in 2003 representing an increase of \$59,200 or 10%. Revenues from the Company's medical electronics activities increased \$89,461 and chemical revenues decreased \$30,261.

Gross Profit

Gross profit of \$287,213 in 2004 was \$25,004 or 10% higher than the gross profit of \$262,209 in 2003. Gross profit was 44% of revenues in 2004 and 2003.

Operating Loss

Operating loss was \$469,228 in 2004 compared to \$81,045 in 2003. Selling, general and administrative expenses increased by \$413,187 or 120% in 2004 primarily due to significant increases in personnel and overhead expenses of the Company's medical device subsidiary, Ivivi Technologies, Inc. that were funded by the receipt of proceeds from a private placement offering instituted to fund such increased operations.

Other Income

Other income of \$39,946 in 2004 increased \$39,780 from \$166 in 2003. The increase was primarily from payments received pursuant to the settlement of litigation and increased interest income from increased amounts invested.

ITEM 3. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its Exchange Act reports

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is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Management necessarily applies its judgment in assessing the costs and benefits of such controls and procedures, which, by their nature, can provide only reasonable assurance regarding management's control objectives.

With the participation of management, the Company's Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures at the conclusion of the three months ended September 30, 2004. Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective in ensuring that material information required to be disclosed is included in the reports that it files with the Securities and Exchange Commission.

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CHANGES IN INTERNAL CONTROLS

There were no significant changes in the Company's internal controls or, to the knowledge of management of the Company, in other factors that could significantly affect internal controls subsequent to the date of the Company's most recent evaluation of its disclosure controls and procedures utilized to compile information included in this filing.

PART II. OTHER INFORMATION

ITEM 6. Exhibits and Reports on Form 8-K.

(a) Exhibit No.

31.1 Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K.

A current report on Form 8-K dated August 31, 2004 was filed during the quarter for which this report is filed and is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements 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.

ADM Tronics Unlimited, Inc.
(Registrant)

By:\s\ Andre' DiMino
Andre' DiMino, Chief Executive
Officer and Chief Financial Officer

Dated: Northvale, New Jersey

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November 19, 2004