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TIREX CORP  
Form 10QSB  
January 21, 2003

U.S. SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-QSB

(Mark One)

Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934 For the quarterly period ended September 30, 2002

Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934 For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 33-17598-NY

THE TIREX CORPORATION

-----  
(Exact Name of Small Business Issuer as Specified in Its Charter)

Delaware

22-2824362

-----  
(State or other jurisdiction of  
Incorporation or Organization)

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

Unit 17 - 3400 Losch, Longueuil (St-Hubert Borough), Quebec, Canada J3Y5T6

-----  
(Address of Principal executive offices)

(450) 676-4499

-----  
(Issuer's telephone number, including area code)

3828 St. Patrick, Montreal, Quebec, Canada, H4E 1A4

-----  
(Former Name, Former Address and Former Fiscal Year,  
if Changed Since Last Report)

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 issuer was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding for each of the issuer's classes of common equity, as of January 3, 2003: 224,757,559 shares

Transitional Small Business Disclosure Format (check one):

Yes  No

The Tirex Corporation  
(A Development Stage Company)

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The financial statements are unaudited. However, pursuant to SEC requirements, the Company's independent auditor reviewed the consolidated financial statements. Readers are cautioned that a review engagement does not constitute an audit. Management of registrant believes that all necessary adjustments, including normal recurring adjustments, have been reflected to present fairly the financial position of registrant at September 30, 2002 and the results of its operations and changes in its cash position for the three month periods ended September 30, 2002 and 2001 and for the period from inception (July 15, 1987).

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	(Unaudited)	(Audited)
	September 30, 2002	June 30, 2002
	-----	-----
ASSETS		
-----		
Current Assets		
Cash and cash equivalents	\$       --	\$       --
Accounts receivable	28,577	33,213
Notes receivable	18,428	19,291
Sales taxes receivable	29,397	22,089
Inventory	62,250	65,165
Research and experimental development tax credits receivable	169,876	246,970
Prepaid expenses and deposits	30,648	33,956
	-----	-----
	339,176	420,684
Property and equipment, salvage value	50,000	583,771
	-----	-----
Other assets		
Investment, at cost	89,500	89,500
Prepaid expenses and deposits	209,000	209,000
	-----	-----
	298,500	298,500
	-----	-----
	\$   687,676	\$ 1,302,955
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
-----		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 1,545,405	\$ 1,485,766
Current portion of long-term debt	37,246	62,033
	-----	-----
	1,582,651	1,547,799
Other liabilities		
Long-term deposits and notes	217,500	217,500
Government loans (net of current)	131,158	139,708
Capital lease obligations (net of current)	13,559	13,559
Convertible notes	932,240	932,240
Convertible note	185,556	185,556
Loans from related parties	1,062,155	1,012,778
	-----	-----
	2,542,168	2,501,341
	-----	-----
	4,124,819	4,049,140
	-----	-----
Stockholders' Equity (Deficit)		
Common stock, \$.001 par value, authorized 250,000,000 shares, issued and outstanding 224,757,559 shares (June 30, 2001 - 176,366,408 shares)	224,758	224,758

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Additional paid-in capital	24,618,899	24,618,899
Deficit accumulated during the development stage	(28,114,811)	(27,389,673)
Unrealized loss on foreign exchange	(165,989)	(200,169)
	-----	-----
	(3,437,143)	(2,746,185)
	-----	-----
	\$ 687,676	\$ 1,302,955
	=====	=====

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THE TIREX CORPORATION  
A DEVELOPMENT STAGE COMPANY

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	(Unaudited)		
	Three months ended September 30		Cumulative from March 26, 1993 to September 30, 2002
	2002	2001	
	-----	-----	-----
Revenues	\$ --	\$ --	\$ 1,354,088
Cost of Sales	--	--	1,031,075
	-----	-----	-----
Gross profit	--	--	323,013
	-----	-----	-----
Operations			
General and administrative	245,359	289,954	10,901,264
Depreciation and amortization	5,914	13,954	346,499
Research and development	450,000	87,839	15,396,966
	-----	-----	-----
Total expense	701,273	391,747	26,644,729
	-----	-----	-----
Loss before other expenses (income)	(701,273)	(391,747)	(26,321,716)
	-----	-----	-----
Other (expenses) income			
Interest expense	23,865	26,093	681,351
Interest income	--	--	(45,443)
Income from stock options	--	--	(10,855)
Loss on disposal of equipment	--	--	4,549
	-----	-----	-----
	23,865	26,093	629,602
	-----	-----	-----

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Net loss	(725,138)	(417,840)	(26,951,318)
	-----	-----	-----
Other comprehensive loss			
Loss on foreign exchange	--	1,081	106,137
	-----	-----	-----
Net loss and comprehensive loss	\$ (725,138)	\$ (418,921)	\$ (27,057,455)
	=====	=====	=====
Basic and Diluted net loss and comprehensive loss per common share	\$ (0.00)	\$ (0.00)	\$ (0.53)
	=====	=====	=====
Weighted average shares of common stock outstanding	224,757,559	181,615,765	50,555,679
	=====	=====	=====

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THE TIREX CORPORATION  
A DEVELOPMENT STAGE COMPANY  
CONSOLIDATED STATEMENT OF CASH FLOWS

	(Unaudited)	
	Three months ended September 30	
	2002	2001
	-----	-----
Cash flows from operating activities:		
Net loss	\$ (725,138)	\$ (418,921)
	-----	-----
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	5,914	13,943
(Gain) loss on disposal and abandonment of assets	530,651	--
Stock issued in exchange for interest	--	--
Stock issued in exchange for services and expenses	--	367,273
Stock options issued in exchange for services	--	--
Unrealized (loss) gain on foreign exchange	34,180	24,158
Changes in assets and liabilities:		
(Increase) decrease in:		
Account receivable	4,636	514
Inventory	2,915	2,928
Sales tax receivable	(7,308)	5,175
Research and experimental development tax credits receivable	77,094	32,356
Other assets	3,308	90,572

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(Decrease) increase in :		
Accounts payables and accrued liabilities	48,613	(269,751)
Accrued salaries	11,026	(12,374)
Due to stockholders	--	--
	-----	-----
Net cash used in operating activities	(14,109)	(164,127)
	-----	-----
Cash flow from investing activities:		
Increase in notes receivable	--	--
Reduction in notes receivable	863	--
Investment	--	(89,500)
Equipment	--	--
Equipment assembly costs	--	--
Organization cost	--	--
Reduction in security deposit	--	--
	-----	-----
Net cash used in investing activities	863	(89,500)
	-----	-----
Cash flow from financing activities:		
Loans from related parties	--	--
Deferred financing costs	--	26,968
Proceeds from deposits	--	--
Payments on notes payable	--	--
Proceeds from convertible notes	--	--
Proceeds from notes payable	--	--
Payments on lease obligations	--	(17,148)
Proceeds from issuance of convertible subordinated debentures	--	--
Proceeds from loan payable	--	--
Payments on loan payable	(53,815)	--
Proceeds from issuance of stock options	--	--
Proceeds from grants	67,061	239,609
Proceeds from issuance of common stock	--	--
Proceeds from additional paid-in capital	--	--
	-----	-----
Net cash provided by financing activities	13,246	249,429
	-----	-----
Net (decrease) increase in cash and cash equivalents	--	(4,198)
Cash and cash equivalents - beginning of period	--	1,356
	-----	-----
Cash and cash equivalents - end of period	\$ --	\$ (2,842)
	=====	=====

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(Unaudited)

	Three months ended September 30		Cumulative from March 26, 1993 September 30, 2002
	2002	2001	
Supplemental Disclosure of Cash Flow Information:			
Interest paid	\$ 862	\$ 26,094	\$ 212,586
Income taxes paid	\$ --	\$ --	\$ --

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THE TIREX CORPORATION  
A DEVELOPMENT STAGE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2002  
(UNAUDITED)

Note 1 SUMMARY OF ACCOUNTING POLICIES

CHANGE OF NAME

On July 11, 1997, the Company changed its name from Tirex America, Inc. to The Tirex Corporation.

NATURE OF BUSINESS

The Tirex Corporation and Subsidiaries (the "Company") was incorporated under the laws of the State of Delaware on August 19, 1987. The Company was originally organized to provide comprehensive health care services, but due to its inability to raise sufficient capital, was unable to implement its business plan. The Company became inactive in November 1990.

REORGANIZATION

On March 26, 1993, the Company entered into an acquisition agreement (the "Acquisition Agreement") with Louis V. Muro, currently an officer and a director of the Company, and former Officers and Directors of the Company (collectively the "Seller"), for the purchase of certain technology owned and developed by the Seller (the "Technology") to be used to design, develop and construct a prototype machine and thereafter a production quality machine for the cryogenic disintegration of used tires. The Technology was developed by the Seller prior to their affiliation or association with the Company.

DEVELOPMENTAL STAGE

At September 30, 2002, the Company is still in the development stage. The operations consist mainly of raising capital, obtaining financing, developing equipment, obtaining customers and supplies, installing and testing equipment and administrative activities.

BASIS OF CONSOLIDATION

The consolidated financial statements include the consolidated accounts of The Tirex Corporation, Tirex Canada R&D Inc., The Tirex Corporation Canada Inc., Tirex Advanced Products Quebec Inc. and Tirex Acquisition Corp. Tirex Canada R&D

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Inc. is held 51% by certain shareholders of the Company. The shares owned by the certain shareholders are held in escrow by the Company's attorney and are restricted from transfer thereby allowing for a full consolidation of this Company. The Tirex Corporation Canada Inc., Tirex Advanced Products Quebec Inc. and Tirex Acquisition Corp. are 100% held by the Company. All subsidiary companies except Tirex Canada R&D Inc. are dormant. All inter-company transactions and accounts have been eliminated in consolidation.

### CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, all highly liquid debt instruments purchased with a maturity of three months or less, were deemed to be cash equivalents.

### INVENTORY

The Company values inventory, which consists of finished goods and equipment held for resale, at the lower of cost (first-in, first-out method) or market.

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### PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost less accumulated depreciation and provisions for write-downs. Depreciation is computed using the straight-line method over the estimated useful lives of five years.

Repairs and maintenance costs are expensed as incurred while additions and betterments are capitalized. The cost and related accumulated depreciation of assets sold or retired are eliminated from the accounts and any gains or losses are reflected in earnings.

### INVESTMENT

An investment made by the Company, in which the Company owns less than a 20% interest, is stated at cost value. The cost value approximates the fair market value of the investment.

### ESTIMATES

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

### ADOPTION OF STATEMENT OF ACCOUNTING STANDARD NO. 123

In 1997, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123, Accounting for Stock-Based Compensation. SFAS 123 encourages, but does not require, companies to record stock-based compensation and other costs paid by the issuance of stock at fair value. The Company has chosen to account for stock-based compensation, stock issued for non-employee services and stock issued to obtain assets or in exchange for liabilities using the fair value method prescribed in SFAS 123. Accordingly, compensation cost for stock options is measured as the excess, if any, of the quoted market price of the Company's stock at the date of the grant over the amount an employee must pay to acquire the stock.

### ADOPTION OF STATEMENT OF ACCOUNTING STANDARD NO. 128

In 1997, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 128, Earnings per Share. SFAS 128 changes the standards for computing and presenting earnings per share (EPS) and supersedes Accounting Principles Board Opinion No. 15, Earnings per Share. SFAS 128 replaces the presentation of Primary EPS with a presentation of Basic EPS and replaces the presentation of Fully Diluted EPS with a presentation of Diluted EPS. It also requires dual presentation of Basic and Diluted EPS on the face of the income



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statement for all entities with complex capital structures and requires a reconciliation of the numerator and denominator of the Basic EPS computation to the numerator and denominator of the Diluted EPS computation. SFAS 128 is effective for financial statements issued for periods ending after December 15, 1997, including interim periods. SFAS 128 also requires restatement of all prior-period EPS data presented.

As it relates to the Company, the principal differences between the provisions of SFAS 128 and previous authoritative pronouncements are the exclusion of common stock equivalents in the determination of Basic Earnings Per Share and the market price at which common stock equivalents are calculated in the Determination of Diluted Earnings Per Share.

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A Basic Earnings per Share is computed using the weighted average number of shares of common stock outstanding for the period. Diluted Earnings per Share is computed using the weighted average number of shares of common stock and dilutive common equivalent shares related to stock options and warrants outstanding during the period.

The adoption of SFAS 128 had no effect on previously reported loss per share amounts for the year ended June 30, 1997. For the three month period ended September 30, 2002, Primary Loss per Share was the same as Basic Loss per Share and Fully Diluted Loss per Share was the same as Diluted Loss per Share. A net loss was reported in 2002 and 2001, and accordingly, in those months, the denominator for the Basic EPS calculation was equal to the weighted average of outstanding shares with no consideration for outstanding options and warrants to purchase shares of the Company's common stock because to do so would have been anti-dilutive.

### FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of the Company's financial instruments, which principally include cash, note receivable, accounts payable and accrued expenses, approximates fair value due to the relatively short maturity of such instruments.

The fair values of the Company's debt instruments are based on the amount of future cash flows associated with each instrument discounted using the Company's borrowing rate. As of September 30, 2002 the carrying value of all financial instruments was not materially different from fair value.

### INCOME TAXES

The Company has net operating loss carryovers of approximately \$27.6 million as of September 30, 2002, expiring in the years 2004 through 2018. However, based upon present Internal Revenue Service regulations governing the utilization of net operating loss carryovers where the corporation has issued substantial additional stock and there has been a change in control as defined by the Internal Revenue Service regulations, a substantial portion of this loss carryover may not be available to the Company.

The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 109, Accounting for Income Taxes, effective July 1993. SFAS No. 109 requires the establishment of a deferred tax asset for all deductible temporary differences and operating loss carryforwards. Because of the uncertainties discussed in Note 2, however, any deferred tax asset established for utilization of the Company's tax loss carry forwards would correspondingly require a valuation allowance of the same amount pursuant to SFAS No. 109. Accordingly, no deferred tax asset is reflected in these financial statements.

### FOREIGN CURRENCY TRANSLATION

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Assets and liabilities of non-U.S. subsidiaries that operate in a local currency environment are translated to U.S. dollars at exchange rates in effect at the balance sheet date for monetary items and historical rates of exchange for non-monetary items with the resulting translation adjustment recorded directly to a separate component of shareholders' equity. Income and expense accounts are translated at average exchange rates during the year. Currency transaction gains or losses are recognized in current operations.

### REVENUE RECOGNITION

Revenue from the sale of TCS Systems will be recognized when the installed product is accepted by the Customer. All other revenue from other products will be recognized when shipped to the customer.

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### Note 2 GOING CONCERN

As shown in the accompanying financial statements, the Company incurred a net loss for the three month period ended September 30, 2002 in the amount of \$194,487.

In March 1993, the Company had begun its developmental stage with a new business plan. As of March 2000, the Company had developed a production quality prototype of its patented system for the disintegration of scrap tires, but nonetheless continued its research and development efforts to improve the machine's performance and to permit greater flexibility in design for specific customer applications. Due to the Company's lack of working capital during the six month period ended June 30, 2002, all rubber crumb production has ceased and research and development efforts have been hampered. Pending receipt of funding from operations, government assistance, loans or equity financing, crumb rubber production and previous research and development efforts will not be resumed. While the Company has engaged the process of marketing the TCS System to numerous potential clients since the beginning of the fiscal year commencing July 1, 2000, as of September 30, 2002, the Company had not yet consummated an unconditional purchase order for a TCS System.

The Company is dependent on the success of its marketing of its TCS Plants, and/or raising funds through equity sales, bank or investor loans, governmental grants or a combination of these, to continue as a going concern. The Company's uncertainty as to its ability to generate revenue and its ability to raise sufficient capital, raise substantial doubt about the entity's ability to continue as a going concern. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

### Note 3 PROPERTY AND EQUIPMENT, SALVAGE VALUE

Subsequent to September 30, 2002, Management vacated its production facility. All of the Company's product, property and equipment was either abandoned, stored, or returned to the Lessor of that equipment. Management decided to suspend indefinitely its efforts to re-lease or exercise purchase options of the Air Plant which had been returned to the Lessor. Without these components, the TCS-1 First Production Model cannot be used. Management decided to further write down, retroactive to September 30, 2002, those assets owned by the Company to net realizable salvage value which the Company estimated at approximately US\$50,000. As of June 30th, these assets were being carried on the Company's books at \$580,651, resulting in a write-down amount to \$530,651.

Depreciation and amortization expense charged to operations for the three-month period ended September 30, 2002 was \$5,914.

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Note 4 GOVERNMENT LOANS

Canada Economic Development

A loan payable under the Industrial Recovery Program for Southwest Montreal amounting to 20% of certain eligible costs incurred (maximum loan \$333,300) repayable over four years commencing March 31, 1999 and ending March 31, 2002, unsecured and non-interest bearing. (If the Company defaults, the loans become interest bearing).

Loans payable under the Program for the Development of Quebec SMEs based on 50% of approved eligible costs for the preparation of market development studies in certain regions. Loans are unsecured and non-interest bearing. (If the Company defaults, the loans become interest bearing).

Loan repayable over five years commencing June 30, 2000 and ending June 30, 2004	\$ 38,138
Loan repayable over five years commencing June 30, 2001 and ending June 30, 2005	39,596
Loan repayable in amounts equal to 1% of annual sales in Spain and / or Portugal throughout June 30, 2007, to a maximum of the balance of the loan outstanding. If no sales occur on or before this date in Spain and Portugal, the loan will become non-repayable	14,000

Loan repayable in amounts equal to 11/2% of annual sales in Spain and / or Portugal through June 30, 2004 to a maximum of the balance of the loan outstanding. If no sales occur before this date in Spain and Portugal, the loan will become non-repayable

	66,500
	-----
	158,234
Less: Current portion	27,076
	-----
Long-term portion	\$ 131,158
	=====

Principal repayments are as follows:

June 30 -----	Amount -----
2003	\$ 27,076
2004	96,578
2005	20,580
2006	-
2007	14,000
	\$ 158,234
	=====

During the year ended June 30, 2002, the Company was declared in default, with respect to the loan under the Industrial Recovery Program for Southwest Montreal.

Note 5 CAPITAL LEASE OBLIGATIONS

The Company leases certain manufacturing equipment under agreements classified as capital leases.

The value of such equipment as of September 30, 2002 is included in property and equipment salvage value on the balance sheet. The Company is in arrears on

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payment of these leases but default has not been declared. The leased equipment is not part of the Company's TCS System prototype.

The following is a schedule by years of future minimum lease payments under capital leases of equipment together with the obligations under capital leases (present value of future minimum rentals) as at September 30, 2002:

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Years ended June 30 -----	Amount -----
2003	\$ 11,635
2004	15,514
	-----
Total minimum lease payments	27,149
Less: Amount representing interest	3,420
	-----
Total obligations under capital lease	23,729
Less: Current portion of obligations under capital leases	10,170
	-----
Long-term obligation portion of under capital leases, with interest rate of 10%	\$ 13,559 =====

Note 6 CONVERTIBLE SUBORDINATED DEBENTURES

The Company issued Type B Convertible Subordinated Debentures between December 1997 and February 1998. These debentures bore interest at 10% and were convertible into common shares of the Company at \$0.20 per share. The conversion privilege on the remaining \$55,000 of these debentures expired and the amount is now included on the Balance Sheet in Long term deposits and notes.

Note 7 CONVERTIBLE NOTES

The Convertible Notes appearing on the balance sheet consisted of an investment arrangement with a group of institutional investors involving a multi-stage financing under which the Company had access to, at its option, up to \$5,000,000. A first tranche of \$750,000 was completed but no further draw downs were made. The original terms of the convertible note were:

Balance at June 30, 2001	\$ 750,000
Interest rate	8%, payable quarterly, commencing June 30, 2001
Issue date	February 26, 2001
Maturity date	February 26, 2003
Redemption rights	If not converted, the holder may require the Company to redeem at any time after maturity for the principal amount plus interest.
Conversion ratio	Lower of (i) - 80% of the average of the three lowest closing bid prices for the thirty trading days prior to the issue date, which equals \$.073, or (ii) - 80% of the average of the three lowest closing bid prices for the sixty trading days prior to

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the conversion date.

Common stock warrants

The Convertible Notes carried an option to purchase Common stock warrants at the rate of one Warrant for each \$1.25 of purchase price. The exercise price on the first tranche of \$ 750,000 is \$ .077 per share.

Certain Directors and Officers of the Company pledged approximately 12,000,000 of their personal shares of Common Stock of the Company as security for the Convertible Notes until such time as the Company files with the Securities and Exchange Commission a Registration Statement on Form SB-2, to register common stock and warrants issuable upon the conversion of the notes, no later than 150 days after the issue date of the Convertible Notes. This deadline was not met and, as such, the investors served a notice of default to the Company on July 19, 2001. The Registration Statement has still not been declared effective by the Securities and Exchange Commission as of this date, and until such occurs, the Convertible Notes cannot be converted to Common Stock nor may the Common Stock warrants be exercised.

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On April 24, 2002 the Company entered into a Settlement Agreement with the Note holders. In the event of a default under the Settlement Agreement, the term of the Convertible Notes would become effective once again. The conclusion of the Settlement Agreement has negated the default. The main terms of the Settlement Agreement are as follows:

Amount due including interest calculated to June 30, 2002 and penalties to date, and deducting proceeds from the sale of collateral shares in the amount of \$16,260	\$932,240
Interest rate on the debt	8%
Repayment terms	\$1,000 on May 15, 2002 \$1,000 on June 15, 2002 \$38,843.33 each month for up to twenty-four months starting August 1, 2002
Warrants for purchase of common shares	500,000 three-year warrants exercisable immediately at a price of \$0.01 per share.  500,000 two-year warrants exercisable one year from the date of the Settlement Agreement at a price of \$0.05 per share.  500,000 one-year warrants exercisable two years from the date of the Settlement Agreement at a price of \$0.10 per share.
Right to sell collateral shares and Rule 144 shares	The Investors have the right to sell up to 600,000 collateral shares and / or Rule 144 shares per month, with proceeds to be first applied against interest and fees and thereafter against

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principal.

Right of prepayment

The Company has the right to pay amounts in excess of the prescribed monthly amount, without penalty.

Collateral shares

As of the date of signing of the Settlement Agreement, the Investors had 10,790,885 Collateral Shares in their possession.

During the year ended June 30, 2002, the Company authorized the investors to sell 1,800,000 of the shares held as security. As of October 1, 2002, the investors had 8,765,432 collateral shares in their possession.

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Note 8 CONVERTIBLE NOTE

A convertible note, under a private arrangement, consists of the following:

Balance at September 30, 2002	\$ 185,556
Interest rate	8%
Issue date	July 19th, 2000
Maturity date	January 19th, 2002
Redemption rights	If not converted, the holder may require the Company to redeem at any time after maturity for the principal amount plus interest.
Conversion ratio	Not convertible prior to July 19th, 2001, at 20% discount to market between July 19th, 2001 and January 19th, 2002 or at 25% to market if held to maturity, to a maximum of not more than 2,500,000 shares.

Note 9 RELATED PARTY TRANSACTIONS

Convertible loans include amounts primarily due to Directors, Officers and employees. Historically, such amounts due have been repaid through the issuance of stock. At September 30, 2002, the balances owing to Directors and Officers was \$844,218. These amounts are without interest or terms of repayment.

Long-term deposits and notes included an amount of \$118,500 at September 30, 2002, which is payable to Ocean Tire Recycling & Processing Co., Inc., a company owned by a Director of the Company.

Subsequent to June 30, 2000, the Company modified an agreement with Ocean Tire Recycling & Processing Co., Inc. to clarify various terms of the parties' prior agreements and to obtain a commitment by Ocean Tire Recycling & Processing Co., Inc. to pay, when necessary, lease payments on the prototype TCS System. As part of the agreement, the Company will repay Ocean Tire Recycling & Processing Co., Inc. in cash or through the issuance of stock. The lease payments, under the accounting provisions for an operating lease, have been recorded as a Research

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and Development expense and the debt obligation included in loans from related parties. During the year ended June 30, 2001, 6,500,000 common shares were issued under the agreement as a partial Settlement. During the year period ended June 30, 2002, an additional 4,553,102 common shares were issued under the agreement to a designated person assigned by Ocean Tire Recycling & Processing Co., Inc.

Included in this amount are payments to Officers of the Company in exchange for salary and expenses in the amount of \$57,796. During the three month period ended September 30, 2002, the Company did not issue common stock in exchange for services performed. The dollar amounts assigned to such transactions have been recorded at the fair value of the services received.

On January 31, 2001, the Company's stockholders approved an amendment to the Articles of Incorporation of the Company to increase the number of authorized shares of common stock, par value \$0.001, from 165,000,000 shares to 250,000,000 shares.

As at September 30, 2002, the Company had 224,757,559 Common shares issued and outstanding.

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### Note 10 COMMON STOCK

On January 31, 2001, the Company's stockholders approved an amendment to the Articles of Incorporation of the Company to increase the number of authorized shares of common stock, par value \$0.001, from 165,000,000 shares to 250,000,000 shares.

As of September 30, 2002, the Company had 224,757,559 Common shares issued and outstanding.

### Note 11 STOCK PLAN

The Company established a Stock Plan in June of 2000 whereby key personnel of the Company, consultants and other persons who have made substantial contributions to the Company may be issued shares as compensation and incentives through Awards, Options or Grants under the terms set forth in the Stock Plan. The Stock Plan originally called for the issuance of a maximum of 7,000,000 shares of stock as Awards, the issuance of a maximum of 7,000,000 shares of stock to underlie Options and the issuance of a maximum of 7,000,000 shares of stock that may be issued as Grants. Awards and Options can only be given to individuals who have been either in the employ of the Company, an Officer, Director or consultant for the preceding six months Awards are not fully vested until the end of three years with one-twelfth of the aggregate award vesting at the end of each quarter. If the Awardee is terminated for cause or resigns, the unvested portion of the award is forfeited. Options can be exercised at any time and upon exercise, the underlying stock is fully vested with the purchaser. The Options are not transferable and are exercisable for two years after which time they expire. If the Optionee is terminated for cause or resigns, all unexercised options are forfeited. A Grant can only be given to persons who have made a substantial contribution to the Company and the shares are not forfeitable. On January 31, 2001, the Company amended the Stock Plan providing for an additional 3,000,000 shares being allocated as Grants and an additional 2,000,000 shares allocated to be given as Options. On May 30, 2001, the Stock Plan was further amended reallocating the 7,000,000 shares to be given as Awards to allow 5,000,000 of the shares to be used for Options and 2,000,000 of the shares to be used as Grants. There were no stock issuances under the Stock Plan for the quarter ended September 30, 2000.

Note 12 ACQUISITION BY MERGER OF RPM INCORPORATED

During November 1997, the Company entered into a merger agreement with RPM Incorporated ("RPM"). The Company acquired all of the assets and liabilities of RPM by acquiring all of the outstanding common stock of RPM in exchange for common stock in the Company on a unit for unit basis. RPM ceased to exist following the exchange.

The assets and liabilities acquired by the Company from RPM consisted of the proceeds from the sale of debentures of \$535,000. The financing fees on the issuance of the debentures, totaling \$61,755, were included as an expense in the statement of operations for the year ended June 30, 1998. A total of 535,000 shares were issued as a result of the merger valued at \$16,050. A total of \$16,050 was received for this stock.

The Company entered into an additional agreement with the former shareholders of RPM for consulting services for a period of 5 years expiring in June 2002. Pursuant to this consulting agreement, 3,000,000 shares of common stock were issued valued at \$240,000. Other than the consulting agreement and the issuance of the debentures, RPM was inactive.

For accounting purposes, the Company recorded the merger as a purchase and not as a pooling of interests.

Note 13 GOVERNMENT ASSISTANCE

The Company was eligible for and has made claims for tax credits related to scientific research and experimental development expenditures made in Canada. These amounts, under Canadian Federal and Provincial tax law in conjunction with its annual tax return filings, need not be offset against taxes otherwise payable to become refundable to the Company at the end of its fiscal year. As such, during the year ended June 30, 2002, the Company received approximately \$569,111 which has been recorded as an increase in stockholders' equity paid-in capital. Also, during the three month period ended September 30, 2002, the Company received approximately \$67,061 which has also been recorded as an increase in stockholders' equity paid-in capital. The Company reported receivable balances from these governments of \$169,876 as of September 30, 2002. (See Subsequent Events Note)

Note 14 LITIGATION

IM2 Merchandising and Manufacturing, Inc. and David B. Sinclair v. The Tirex Corporation, Tirex Corporation Canada, Inc., et al

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An action was instituted by Plaintiffs, a Canadian resident and a Canadian corporation, in a Canadian court alleging a breach of contract and claims damages of approximately \$508,600, representing expenses and an additional approximate amount of \$1,874,000 in loss of profits. The current action follows two similar actions taken in United States courts, the first of which was withdrawn and the second of which was dismissed based on forum non convenience and other considerations. A detailed answer has been filed by the Company denying all liability, stating further that Plaintiffs failed to comply with their obligations. Counsel for the Company believes that the Company has meritorious defenses to all of the Plaintiff's claims. The action is still pending.



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Surgent v. The Tirex Corporation  
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An action was brought by a Plaintiff against the Company, alleging that the Company had agreed to issue 1,000,000 shares of its Common stock to the Plaintiff in consideration for expenses allegedly paid by the Plaintiff in the amount of approximately \$150,000. These expenses allegedly were incurred in relation to the rental of certain office space and performance of administrative services. The Plaintiff's complaint sought to impose an equitable trust or lien on 1,000,000 of our unissued common shares, demanded the issuance of 1,000,000

We moved to dismiss the case on various procedural grounds and in September 2000 the Court granted our motion, based upon the lack of venue in Union County, New Jersey. A new action was instituted by Plaintiff in the Superior Court of New Jersey, Bergen County, in April 2001 alleging similar claims as set forth in the previous action (Docket L-08060-00). We denied all of Plaintiff's allegations. On July 24, 2002, the Superior Court of New Jersey, Bergen County, dismissed with prejudice the Plaintiff's complaint for "Lack of Prosecution". The Plaintiff has filed a Notice of Appeal, but has not yet perfected his appeal. The Company's Counsel has advised it that the Company has meritorious defenses to this appeal.

Lefebvre Freres Limited v. The Tirex Corporation  
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Lefebvre Freres Limited instituted an action against the Company on August 13, 2001 in the superior Court, Judicial District of Montreal, claiming Canadian \$98,513 (approximately US \$63,000) was due and owing for the manufacture and delivery of car tire disintegrators. We are preparing a defense and cross claim against Plaintiff as the product delivered was defective and we believe we are entitled to a reimbursement of sums paid. The action is still pending.

Tri-Steel Industries Inc. v. The Tirex Corporation  
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Our landlord, Tri-Steel Industries, Inc., instituted an action against us, and our subsidiaries, Tirex Canada and Tirex Canada R & D Inc., on or about June 22, 2001 for arrears of rent in the amount of Canadian \$177,973.62 (approximately US \$113,900). We are currently in negotiation with Tri-Steel Industries and the action is still pending.

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Note 15 ACCUMULATED OTHER COMPREHENSIVE INCOME

The deficit accumulated during the development stage included accumulated comprehensive other income totaling \$103,396.

Note 16 SUBSEQUENT EVENTS

Cessation of Production Operations  
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Subsequent to September 30, 2002, the Company ceased all production operations and vacated its production facility. All of the Company's products, property and equipment have been abandoned, stored, or returned to the Lessor. Management decided to indefinitely suspend its efforts to re-lease or exercise purchase options of various parts of the Air Plant that had been returned to the Lessor. Without these components, the TCS-1 First Production Model cannot be used. Management decided to further write down, retroactive to September 30, 2002,

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those assets owned by the Company to net realizable salvage value which the Company estimated at approximately US\$50,000. As of June 30th, these assets were being carried on the Company's books at \$580,651, resulting in a write-down amount to \$530,651.

### Return, Storage, or Abandonment of Equipment

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As of December 2002, all leased equipment has either been returned to the Lessor, stored, or abandoned. The Company was not in a position to renegotiate a lease or purchase the equipment. During the preceding year, parts of the equipment had been in need of repair in order to be functional, and the Company lacked capital to effect those repairs.

### Tax

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Subsequent to September 30, 2002, the Canadian federal government approved a tax credit of US\$124,000, but \$39,500 was held back [1] for payroll tax arrearages, and [2] for repayment of CEDQR loans. A tax credit of US\$115,500 was approved by the government of the Province of Quebec, but a tax audit was performed resulting in a holdback of \$38,700, and the balance of \$76,800 was withheld due to tax issues of the Company's President.

### Agreement between The Tirex Corporation and Simpro, S.p.A.

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The Company has negotiated a contract with Simpro S.p.A., headquartered in Brandizzo, Italy. The agreement calls for the Company to license to Simpro the exclusive right to use its Patent (U.S. Patent # 57355471), for manufacture, installation, marketing and after-sales service. Since signing, the Company has worked with Simpro to finalize costing of the TCS System on a component basis, in such a format as to facilitate quotations for potential customers to respond to their input and output requirements. The effect of this agreement will be recorded on Simpro's books, not on the books of the Company. The amount remitted back to the Company would be in the form of royalty, and would be accounted for as such. The Company hopes to benefit from such royalties during the second or third quarters of 2003. However, at the present time the agreement has not been finalized.

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## ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is management's discussion and analysis of significant factors, which have affected the Company's financial position, and operations during the three-month period ended September 30, 2001. This discussion also includes events, which occurred subsequent to the end of the last quarter and contains both historical and forward-looking statements. When used in this discussion, the words "expect(s)", "feel(s)", "believe(s)", "will", "may", "anticipate(s)", "intend(s)" and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties, which could cause actual results to differ materially from those projected.

As previously reported, the Company suspended rubber crumb production operations in January of 2002 because of a lack of financial resources necessary to complete the acquisition of certain additional secondary processing equipment and its failure to renegotiate leases or to exercise purchase options or with respect to this equipment or to support contributing operations until cash inflows from the collection of any receivables or tipping fees could reasonably

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be expected to be received. As reported in the last Annual Report, two of the five leases related to the TCS-1 Production Model expired during the fourth quarter of Fiscal 2002, one of the tire preparation equipment and the other certain components of the Air Plant. At approximately the same time of the expiration of these leases, a component of the Air Plant broke down requiring an estimated US\$55,000 to repair.

While the Company has abandoned any interest in the return of the tire preparation equipment, Management had explored various avenues to re-acquire those components of the Air Plant. At approximately the same time of the removal of these components, the Company's landlord, having secured a new tenant for our premises, requested that we vacate the premises. This process was completed in December, 2002. The Tirex office was relocated to new, temporary premises, in an industrial park in the former municipality of St. Hubert on the south shore of the St. Lawrence River across from Montreal, leased by Ashbyrne Investments Inc., a company owned by Michael Ash, our CFO. The amount charged by Ashbyrne to Tirex will be below fair market.

Management is of the opinion that the signing of a License Agreement will be the best method of entering into a Purchase and Sales Agreements with potential customers. Concurrent with the Licensing Agreement, Simpro signed a conditional sales contract with our Puerto Rican customer, the most important condition of which contract being the completion of the project financing package for this customer. As of the date of signing of the conditional sales contract, one customer had secured commitments for \$7.5 million of an overall project cost of \$9.0 million, with negotiations under way to secure bank support for an equity investment of the remaining \$1.5 million.

The equivalent of what would have been the gross profit, would Tirex have signed such Purchase and Sales Agreements directly, would be recorded on the books of Tirex as a royalty. Given the time required to complete the manufacture and installation of the TCS-2 Systems envisioned by two potential customers, no potential royalties would be recognized until Fiscal 2004. Even with a Licensing Agreement, there can be no assurances that the contemplated Purchase and Sales Agreements will actually materialize.

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As reported in the last Annual Report, in February of 2001, the Company concluded a private financing with an investor group managed by a New York-based company. Under the terms of the Agreement, the Company drew down US\$750,000 of the available US\$5,000,000 amount. The initial \$750,000 was provided in the form of a Convertible Note. The Company defaulted by not having an SB-2 Registration Statement declared effective within 150 days of the date of the Note. Following lengthy negotiations, we reached a Settlement Agreement with the investors on April 26, 2002 under which the Company agreed to a reimbursement schedule and provided three series of warrants, 500,000 each, exercisable at different prices to the investors. The lack of financial resources prevented us from being able to honor the reimbursement schedule, and thus the Company is currently in default with respect the Settlement Agreement. To date, the investors have not exercised any of their recourse rights under the agreement except to sell portions of the collateral security. We intend to re-negotiate the Agreement based on our expectations of probable cash availability. However, there can be no guarantee that these negotiations will be successful, that the investors will continue to not exercise their recourse rights and that the anticipated cash availability to support a Settlement Agreement will actually be available.

Because of the lengthy delay preceding the commencement of commercial operations, particularly insofar the sale and manufacturing of TCS Systems is concerned, the Company has had to, and in the foreseeable near future will, be

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forced to continue to cover a substantial part of its operating expenses out of from sources other than revenues from operations. For the first quarter of Fiscal 2003, our monthly expenses were approximately US\$67,000 per month. Cash amounts payable to third parties amounted to approximately US\$27,000 including approximately US\$16,000 for building rent. With the relocation, monthly expenses will be reduced and liabilities by approximately US\$13,000 per month including approximately US\$6,000 per month in accumulated interest on the Convertible Notes.

### Liquidity and Capital Resources

The activities of the Company, since its formation in 1987, and the inception of its current business in 1993 have been financed by sources other than operations. Such financing was principally provided by the sale of securities in private transactions and by additional capital investments by directors, officers and employees. During the three month period ended September 30, 2002, directors, officers, employees and consultants did not make any direct cash investments into the Company. During the Fiscal year ended June 30, 2002, direct cash investments made by the directors, officers, shareholders and consultants amounted to \$950,713.

As of September 30, 2002, the Company had total assets of \$1,218,327 as compared to \$2,976,484 at September 30, 2001 reflecting a decrease of \$1,758,157, and a decrease of \$84,628 versus total assets as of the last fiscal year end, June 30, 2002, which amounted to \$1,302,955. Management attributes the decrease from September 30, 2001 to September 30, 2002 primarily to the following factors: (i) a decrease of \$158,797 in Tax Credits Receivable from the balance as of September 30, 2001 in the amount of \$328,673 to the September 30, 2002 balance of \$169,876, and (ii) a decrease of \$10,781 in Inventory from the balance as of September 30, 2001 in the amount of \$73,031 to the September 30, 2002 balance of \$62,250, and (iii) a decrease of \$1,542,351 in Property and Equipment from the balance as of September 30, 2001 in the amount of \$\$2,123,002 to the September 30, 2002 balance of \$580,651, and (iv) an increase of \$22,787 in Sales Tax Receivable from the balance as of September 30, 2001 in the amount of \$6,610 to the September 30, 2002 balance of \$29,397. Management attributes the decrease from June 30, 2002 to September 30, 2002 primarily to the following factors: (i) a decrease of \$77,094 in Tax Credits Receivable from the balance as of June 30, 2002 in the amount of \$246,970 to the September 30, 2002 balance of \$169,876 and, (ii) a decrease of \$4,636 in Accounts Receivable from the balance as of June 30, 2002 in the amount of \$33,213 to the September 30, 2002 balance of \$28,577, and (iii) a decrease of \$3,308 in Prepaid expenses and Deposits from the balance as of June 30, 2002 in the amount of \$242,956 to the September 30, 2002 balance of \$239,648, and (iv) an increase of \$7,308 in Sales Tax Receivable from the balance as of June 30, 2002 in the amount of \$22,089 to the September 30, 2002 balance of \$29,397.

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As of September 30, 2002, the Company had total liabilities of \$4,124,819 as compared to \$3,364,155 at September 30, 2001, reflecting an increase of \$760,664, and reflecting an increase of \$75,679 versus total liabilities as of the last fiscal year end, June 30, 2002, which total amounted to \$4,049,140. The increase in total liabilities from September 30, 2001 to September 30, 2002 is primarily attributable to an increase of \$182,240 in Convertible Securities and by an increase in Loans from Related Parties in the amount of \$299,800 and by an increase in Accounts Payable and Accrued Liabilities in the amount of \$568,084. The increase in total liabilities from June 30, 2002 to September 30, 2002 is primarily attributable to an increase of \$59,639 in Accounts Payable and Accrued Liabilities and to an increase of \$49,377 in Loans from Related Parties.

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Reflecting the foregoing, the financial statements indicate that as at September 30, 2002, the Company had a working capital deficit (current assets minus current liabilities) of \$1,243,476 compared to a working capital deficit of \$786,302 as at September 30, 2001, reflecting an increase of \$457,174. The working capital deficit of \$1,243,476 as at September 30, 2002 compares to a working capital deficit of \$1,127,115 as at June 30, 2002, reflecting an increase of \$116,361.

The financial statements which are included in this report reflect total operations and other expenses of \$194,487 for the three month period ended September 30, 2002 versus \$417,840 for the comparative three month period ended September 30, 2001, reflecting a decrease of \$224,434. The primary reasons for this decrease relate to decreased personnel expenses, albeit without sacrifice to the Company's efforts to properly establish and position itself for full commercial scale production, and to a decrease in the amount recorded for Research and Development.

### PART II: OTHER INFORMATION

Item 1:  
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We are presently a party in the following legal proceedings, the status of which has not changed since the Company filed its Annual Report on Form 10-KSB for Fiscal 2002:

IM(2) Merchandising and Manufacturing, Inc and David B. Sinclair v. The Tirex Corporation, Tirex Corporation Canada, Inc., et al.

The Plaintiffs, a Canadian resident and a Canadian corporation sued in the Delaware, U.S. Federal District Court claiming fraud, breach of contract, unjust enrichment and other allegations, that the alleged Defendants, which include Tirex Corporation Canada and The Tirex Corporation, jointly conspired to profit from their failure to comply with terms of a manufacturing agreement. The monetary demand of this complaint was unspecified. We were prepared to move to dismiss Plaintiffs' Complaint, but after consultations with the Plaintiffs' Attorneys, the Plaintiffs' withdrew this complaint voluntarily. Plaintiffs later filed a second action in the Chancery Court of Delaware alleging certain of the same allegations; fraud, breach of contract, unjust enrichment, breach of fiduciary duty and misrepresentation, but eliminated other counts including the securities fraud allegations. The Defendants in the State Court action are the same named in the Federal Court action, and again the monetary damages are unspecified. We moved to dismiss the State Court Chancery case alleging defective service of process and asserting that the Court had no jurisdiction over the Defendants in Delaware and for removal of the case to Canada based on forum non-convenience and other considerations. Our motion was granted and the case dismissed.

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Subsequently, on or about April 25, 2001, the Plaintiffs instituted a lawsuit in Superior Court, judicial district of Montreal alleging breach of contract and claims damages of Canadian\$794,690 (approximately US\$508,600) representing expenses and an additional Canadian\$5,411,158 (approximately US\$1,874,000) in loss of profits. We have filed a detailed answer denying all liability, stating further that Plaintiffs failed to comply with their obligations. We believe we have meritorious defenses to all of the Plaintiffs' claims. The action is still pending.

Surgent v. The Tirex Corporation

An action was brought by the Plaintiff against us, alleging that we had

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agreed to issue 1,000,000 shares of our Common Stock to the Plaintiff in consideration for expenses allegedly paid by the Plaintiff on our behalf in the amount of approximately \$150,000. These expenses allegedly were incurred in relation to the rental of certain office space and performance of administrative services. The Plaintiff's complaint sought to impose an equitable trust or lien on 1,000,000 of our un-issued common shares, demanded the issuance of the 1,000,000 shares and alleged breach of contract and claimed damages of \$1,400,000.

We moved to dismiss the case on various procedural grounds and in September 2000 the Court granted our motion based upon the lack of venue in Union County, New Jersey. A new action was instituted by Plaintiff in the Superior Court of New Jersey, Bergen County, in April 2001 alleging similar claims as set forth in the previous action (Docket L-08060-00). We denied all of plaintiff's allegations. This action was dismissed with prejudice and the Plaintiff has filed a notice of appeal, which he has not yet perfected. Our counsel has advised us that in their opinion, the Company will prevail on appeal.

### Lefebvre Freres Limited v. The Tirex Corporation

Lefebvre Freres Limited instituted an action against us on August 13, 2001 in the Superior Court, judicial district of Montreal claiming Canadian\$98,513 (approximately US\$63,000) is due and owing for the manufacture and delivery of car tire disintegrators. We are preparing a defense and cross claim against Plaintiff as the product delivered was defective and we believe we are entitled to a reimbursement of sums paid. The action is still pending.

### Tri-Steel Industries Inc. v. The Tirex Corporation

Our landlord Tri-Steel Industries Inc. instituted an action against us, and our subsidiaries Tirex Canada and Tirex Canada R & D Inc., on or about June 22, 2001 for arrears of rent in the amount of Canadian\$230,050 (approximately US\$147,232 using a \$0.64 exchange rate). We are currently in negotiation with Tri-Steel Industries and the action is still pending, but the premises were vacated by us as of November 2002.

No director, officer, or affiliate of the Company, or any associate of any of them, is a party to or has a material interest in any proceeding adverse to us.

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## Item 2: - Changes in Securities and Use of Proceeds

### Share Issuance Continuity Schedule

Shares issued and outstanding as of June 30, 2002	224,757,559
Total Issuances for the Quarter	Nil
Total Outstanding as of September 30, 2002	224,757,559

No common shares were issued between September 30, 2002 and the date of this

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Report.

### Item 3 - Defaults Upon Senior Securities

During 1998, the Company issued an aggregate of \$535,000 of two (2) year convertible, subordinated debentures bearing interest at the rate of 10%. Interest thereon was due and payable semi-annually commencing six months from the date of issuance. All debentures have either been converted or repaid, except for debentures in the principal amount of US\$55,000, which remain outstanding and on which principal and interest, which has accrued since the issuance of the debentures, are now due. On debentures converted subsequent to December 1999, interest was capitalized and converted to equity. Although the conversion option on the outstanding debentures has lapsed, the Company intends to extend the conversion dates of these debentures upon the request of the holders.

As indicated above, in February of 2001, The Company concluded a private financing with an investor group managed by a New York-based company. Under the terms of the Agreement, the Company had the contractual right to require the Investor to purchase up to US\$5,000,000 of put notes and the Company had drawn down US\$750,000, which was provided in the form of a Convertible Note. Under the terms of the Agreement, the Company was required to file and have declared effective a Registration Statement on Form SB-2 within 150 days of the Closing Date of the Agreement. As of June 25, 2001, the Company was in technical default for failing to have an effective Registration Statement on record with the SEC. The Company was advised of the default in mid-July 2001.

Following lengthy negotiations, we reached a Settlement Agreement with the investors on April 26, 2002 under which the Company agreed to a reimbursement schedule and provided three series of warrants, 500,000 each, exercisable at different prices to the investors. The lack of financial resources prevented us from being able to honor the reimbursement schedule, and thus the Company is currently in default with respect the Settlement Agreement. To date, the investors have not exercised any of their recourse rights under the agreement. We intend to re-negotiate the Agreement with the investors based on our expectations of cash availability. However, there can be no guarantee that these negotiations will be successful, that the investors will continue to not exercise their recourse rights and that the anticipated cash availability to support a Settlement Agreement will actually be available

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Item 4 - Submission of Matters to a Vote of Security Holders

Item 6 - Exhibits and Reports on Form 8-K

### SIGNATURES

In accordance with the requirements of the Exchange Act, the Registrant has caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE TIREX CORPORATION

By /s/ JOHN L. THRESHIE, JR.

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John L. Threshie, Jr., President

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By /s/ MICHAEL ASH

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Chief Accounting and Financial Officer

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