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NOVEX SYSTEMS INTERNATIONAL, INC.
BALANCE SHEET
NOVEMBER 30, 2001

ASSETS

CURRENT ASSETS:

Accounts receivable, net of allowance for doubtful accounts of \$73,256	\$ 533,820
Inventories	145,078
Prepaid expenses and other current assets	96,725

Total Current Assets 775,623

PROPERTY, PLANT AND EQUIPMENT - at cost, net 1,274,580

GOODWILL - at cost, net 653,510

\$ 2,703,713

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LIABILITIES AND SHAREHOLDERS' DEFICIENCY

CURRENT LIABILITIES:

Cash overdraft	\$ 109,771
Current portion of long term debt	1,768,531
Bank line of credit	429,147
Accounts payable	568,826
Loans payable - shareholder	18,000
Accrued preferred stock dividend payable	53,082
Accrued expenses and other current liabilities	209,189

Total Current Liabilities 3,156,546

COMMITMENTS AND CONTINGENCY

SHAREHOLDERS' DEFICIENCY:

Preferred stock - \$0.001 par value, 10,000,000 shares authorized, 1,529,426 shares issued and outstanding	1,529,426
Common stock - \$0.001 par value, 50,000,000 shares authorized, 26,555,187 shares issued and outstanding	26,555
Additional paid-in capital	6,361,775
Accumulated deficit	(8,370,589)

Total shareholders' deficiency (452,833)

\$ 2,703,713

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See notes to financial statements.

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NOVEX SYSTEMS INTERNATIONAL, INC.
STATEMENTS OF OPERATIONS

	Three Months Ended November 30,	
	2001	2000
	(Unaudited)	(Unaudited)
NET SALES	\$ 583,855	\$ 504,5
COST OF GOOD SOLD	305,412	351,4
GROSS PROFIT	278,443	153,1
SELLING, GENERAL AND ADMINISTRATIVE	306,260	266,4
LOSS FROM OPERATIONS	(27,817)	(113,2
OTHER INCOME (EXPENSES):		
Interest expense	(61,649)	(69,0
Amortization of debt discount	(10,345)	(2,6
Gain on change in valuation of put warrant	9,588	
OTHER EXPENSES, net	(62,406)	(71,6
LOSS FROM CONTINUING OPERATIONS	(90,223)	(184,8
DISCONTINUED OPERATIONS:		
Loss from operations of Novex Canada	--	
Loss on disposal of Novex Canada including operating loss during the phase out period of \$102,190	--	(229,0
LOSS FROM DISCONTINUED OPERATIONS	--	(229,0
NET LOSS	(90,223)	(413,9
LESS: PREFERRED STOCK DIVIDEND	53,082	
NET LOSS TO COMMON SHAREHOLDERS	\$ (143,305)	\$ (413,9
LOSS PER COMMON SHARE, basic and diluted:		
From continuing operations	--	(0.
From discontinued operations	--	(0.

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TOTAL LOSS PER COMMON SHARE, basic and diluted	\$ --	\$ (0.
	=====	=====
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, basic and diluted	26,307,181	23,143,9
	=====	=====

See notes to financial statements.

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NOVEX SYSTEMS INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS

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		Six Mo Nove
		2001

CASH FLOWS FROM OPERATING ACTIVITIES:		(Unaudited)
Net loss		\$ (232,470)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Provision for bad debts		23,419
Depreciation and amortization		71,056
Gain on change in valuation of put warrant		(12,867)
Common stock issued for services		24,753
Amortization of debt discount		38,016
Changes in assets and liabilities, net of the effect from acquisition and disposition:		
Accounts receivable		(254,590)
Inventories		59,176
Prepaid and other current assets		(69,653)
Net liabilities of discontinued operations		--
Other assets		--
Accounts payable		57,261
Accrued expenses and other current liabilities		93,215

NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES		(202,684)

CASH FLOWS FROM INVESTING ACTIVITY:		
Acquisition of business, net of cash acquired		--

CASH USED IN INVESTING ACTIVITY		--

CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash overdraft		81,428
Due to factor		--

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(Repayment of) proceeds from loans payable - shareholders	(11,150)
Repayment of bank line of credit	(27,261)
Proceeds from notes payable	25,000
Repayment of debt obligations	(46,333)
Proceeds from the sale of common stock	181,000

NET CASH PROVIDED BY FINANCING ACTIVITIES	202,684

NET DECREASE IN CASH	--
CASH AT BEGINNING OF YEAR	--

CASH AT END OF PERIOD	\$ --
	=====
 SUPPLEMENTAL CASH FLOW INFORMATION:	
Cash paid during the period for:	
Interest	\$ 88,691
	=====
Income taxes	\$ --
	=====
Non-cash flow and investing and financing activities:	
Conversion of debt to equity	\$ 42,868
	=====
Common stock issued for assets acquired	\$ --
	=====
Common stock issued for future services	\$ 18,903
	=====
Preferred stock dividend	\$ 75,892
	=====

See notes to financial statements.

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NOVEX SYSTEMS INTERNATIONAL, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
SIX MONTHS ENDED NOVEMBER 30, 2001
(unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operation results for the three months ended November 30, 2001 are not necessarily indicative of the result that may be expected for the year ended May 31, 2002. The unaudited condensed financial statements should be read in conjunction with the financial statements and

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footnotes thereto included in the Company's annual report on Form 10-K for the year ended May 31, 2001.

2. LOSS PER SHARE

Basic net loss per common share is computed by dividing net loss by the weighted average number of shares of common stock outstanding. For the six months ended November 30, 2001 and 2000 diluted loss per share is the same as basic loss per share since the inclusion of stock options and warrants would be antidilutive.

3. DISCONTINUED OPERATION

In October and December 2000, the Company entered into agreements to sell the assets, except for accounts receivable and the Fiberforce trade name, of its subsidiary, Novex Systems International, Ltd. ("Novex Canada"), for approximately \$245,300.

The results of operations and cash flows for Novex Canada has been reclassified as discontinued operations for all periods presented.

Summarized results of the discontinued operation is as follows:

	Six Months Ended November 30,	
	2001	2000
Net sales	--	100,643
Loss from operations	--	(48,124)
Loss on disposal	--	(229,056)
Total loss on discontinued operations	--	(277,180)

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NOVEX SYSTEMS INTERNATIONAL, INC.
 NOTES TO CONDENSED FINANCIAL STATEMENTS
 SIX MONTHS ENDED NOVEMBER 30, 2001
 (unaudited)

4. INVENTORIES

Inventories were determined based on the perpetual inventory system and consisted of the following:

	November 30, 2001
Raw Material	\$ 113,185
Finished Goods	31,893
	\$ 145,078

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5. SHAREHOLDERS' DEFICIENCY

As of November 30, 2001, the Company raised \$153,000 from the sale of 1,020,001 shares of restricted common stock. Included in the sale of common stock were warrants, which provide the right to purchase one share of common stock for every three shares of common stock purchased. The warrants have an exercise price of \$0.20 per share and they expire three years from the date of issuance. The warrants exercise prices were granted at the quoted market price.

During the six months ended November 30, 2001, the Company issued 136,000 shares of common stock in consideration for financing of \$136,000 that occurred in the fiscal year ended May 31, 2001. As a result, the Company valued the common stock based on the quoted market price and recorded a debt discount of \$19,040. In addition, the Company converted \$42,868 of loan and interest from a shareholder into 285,786 shares of restricted common stock.

As of November 30, 2001, the Company issued 139,038 shares of preferred stock as payment of accrued preferred stock dividend.

In November 2001, the company issued 329,412 shares of restricted common stock for \$28,000.

In October 2001, the Company issued 65,000 shares of restricted common stock for services, which was valued at the quoted market price of \$0.09 or \$5,850.

On September 15, 2001, the Company granted 25,000 employee stock options at an exercise price of \$0.20, which was above the quoted market price on the date of grant. The employee stock options expire on September 15, 2004.

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NOVEX SYSTEMS INTERNATIONAL, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
SIX MONTHS ENDED NOVEMBER 30, 2001
(unaudited)

During August 2001, the Company issued 70,000 shares of restricted common stock and 75,000 warrants for future consulting services. The common stock was valued at the quoted market price of \$0.12 or \$8,400. The warrants were valued at \$10,503, which was based on the Black-Scholes option pricing model with the following assumptions used: annual dividend of \$0; expected volatility of 217%; risk-free interest rate of 3.5%; and an expected life of 3 years. The Company has recorded the value of the common stock and warrant to prepaid expense and will amortize the amounts over the life of the service period.

On June 1, 2001, the Company granted 100,000 stock options to a director of the Company with an exercise price of \$0.20 and will expire on June 1, 2004. In addition, the Company granted 61,805 stock options to its employees with an exercise price of \$0.25 and will expire on October 1, 2003. The options exercise prices were granted at the quoted market price.

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6. CONTINGENCY

During fiscal 1997, a shareholder commenced an action against the Company and its former President to enjoin the Company and the former President from taking any action that would restrict the sale of common stock that he allegedly owns. In the opinion of management, this action is without merit and will not have a material adverse effect on the Company's financial position or results of operations.

7. RECENT ACCOUNTING PRONOUNCEMENT

In August 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. SFAS No. 144 supercedes SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of, and the reporting provisions of APB Opinion No. 30, Reporting the Results of Operation - Reporting the Effects of Disposal of a Segment of a Business and Extraordinary, Unusual and Infrequently Occurring Events and Transactions for the Disposal of a Segment of a Business. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. The Company is in the process of analyzing the impact of the adoption of this statement on its financial statements.

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

The following discussion and analysis should be read in conjunction with the information contained in the Financial Statements and the Notes to the financial statements appearing elsewhere in this Form 10-QSB. The Financial Statements for the six month period ended November 30, 2001, included in this Form 10-QSB are unaudited; however, this information reflects all adjustments (consisting solely of normal recurring adjustments), which are, in the opinion of management, necessary to present a fair statement of the results for the interim period.

Results of Operations

Six months ending November 30, 2000 vs. November 30, 2001

In the six month period ended November 30, 2001, Novex had net sales of \$1,179,554 versus \$1,002,394 in the corresponding six month period in 2000. The increase in sales was 17% over the corresponding period. Gross sales in the six month period were \$1,199,858, but the company took a charge in the period for \$20,304 for sales and marketing related expenses. Cost of goods sold in this period was \$669,924 which generated a gross margin of 43%, versus 34% in 2000. The increase in the gross margin was attributable to larger orders of higher margin products to the same customer and less factory overtime that were attributable to more timely deliveries of raw materials on account of the company's slightly improved cash flow. Novex incurred general and administrative costs of \$590,296 which resulted in a loss from operations of \$80,666 in this period. In this period, Novex incurred \$126,655 in interest expense, \$38,016 of amortization of debt discount and a gain on change in the valuation of a put warrant of \$12,867. The company's operating loss before interest, taxes, depreciation and amortization (EBITDA) was \$9,610. The increase in sales, cost of goods sold and general operating expenses during this period was attributable

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primarily to the company's improvement of its sales and marketing efforts.

On November 30, 2001, Novex had \$775,623 in current assets which consisted primarily of inventory of \$145,078 and accounts receivable of \$533,820. The company's property, plant and equipment was \$1,274,580 net of accumulated depreciation of \$186,160 and goodwill of \$653,510 net of accumulated amortization of \$104,196.

Three months ending November 30, 2000 vs. November 30, 2001

In the three month period ended August 31, 2001, Novex had net sales of \$583,855 versus \$504,561 in the corresponding three month period in 2000. The increase in sales was 16% over the corresponding period. Gross sales in the three month period were \$604,159, but the company took a charge in the period for \$20,304 for sales and marketing related expenses in the second quarter ending November 30, 2001. Cost of goods sold in this period was \$304,412 which generated a gross margin of 47%, versus 31% in 2000. The increase in the gross margin was attributable to larger orders of higher margin products to the same customer and less factory overtime that were attributable to more timely deliveries of raw materials on account of the

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company's slightly improved cash flow. Novex incurred general and administrative costs of \$306,260 which resulted in a loss from operations of \$27,817 in this period. The increase in selling, general and administrative costs were attributable to higher sales commissions which are based on sales, and additional marketing expenses that were incurred to begin stocking Home Depot stores with merchandise. In this period, Novex incurred \$61,649 in interest expense, \$10,345 of amortization of debt discount and a gain on change in the valuation of a put warrant of \$9,588. For the three month period the company's operating profit before interest, taxes, depreciation and amortization (EBITDA) was \$26,033, which includes an \$18,000 payment to the former shareholders of the Sta-Dri Company which receive an additional \$6,000 per month up to August, 2002 if the company's stock price is below \$1.00 per share for a twenty day trading period. The increase in sales, cost of goods sold and general operating expenses during this period was attributable primarily to the company's improvement of its sales and marketing efforts.

Liquidity and Financial Resources at November 30, 2001

As of November 30, 2001, Novex had \$3,156,546 in current liabilities. Of this amount, \$429,147 was the balance on Novex's secured revolving line of credit with Dime Commercial Corp. which is used to fund the Company's operations. It had accounts payable of \$568,826, accrued expenses of \$209,189 and a cash overdraft of \$109,771. The accrual for preferred stock dividend payable is \$53,082 and is payable in shares of preferred stock not cash.

In late May through August 2001 the company offered for sale restricted shares of its common stock at \$.15 per share and a warrant to purchase one (1) share of common stock for every three shares of common stock purchased in the offering. The warrants have an exercise price of \$.20 per share and a three year expiration period. As of the filing of this Form 10-QSB the company raised \$153,000. In addition, Novex's CEO and President, Daniel W. Dowe, entered into an agreement with the company to convert all loans he made to the company into equity under the same terms and conditions offered to investors in the aforementioned private offering. The total amount converted was \$42,686.

On December 21, 2000, Novex obtained from a private investor a six-month

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secured bridge loan in the amount of \$600,000 ("Bridge Note") which has been extended by the investor to provide the company additional time to improve its sales and secure take-out financing on terms that are mutually beneficial to the company and the new investor(s). The Bridge Note holder owns approximately 4% of the company's common stock and is equally concerned with excessive dilution. The bridge loan bears interest at a rate of 10% per annum. In exchange for the bridge financing, Novex issued 600,000 shares of its common stock to the investor. The Bridge Note is secured by the same assets as, and is subordinated to, the Dime Note (discussed below). During the period February 21, 2001, through October 4, 2001, the same private investor made three additional bridge loans of \$311,000 for which he received 286,000 shares of common stock as of November 30, 2001 and another 25,000 shares of common stock as of December 31, 2001. The terms of the additional bridge loans are identical to those of the original Bridge Note. He also

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made an equity investment of \$50,000 on January 21, 2001 for which he received 625,000 shares of Novex' common stock.

The current portion of the long-term debt consists of a three year term loan and put warrant totaling \$727,834 (originally \$890,000) that was made by Dime Commercial Corp. to enable the Company to acquire the Por-Rok Unit (the "Dime Note"). The remaining portion of the purchase price for the Por-Rok Unit was paid with the Sherwin-Williams Note which has been converted into 1,390,388 preferred shares. Included in the current portion of long-term debt is a debenture payable for \$125,000 that is past due as it matured on May 31, 1999. This \$125,000 note is the remaining balance on a bridge loan of \$250,000 that was purchased by Novex' largest shareholder, which is a private equity fund managed by Quilcap Corporation.

The Dime Note is secured by all the assets that are located at the Por-Rok operation at 16 Cherry Street, Clifton, New Jersey. These assets include the land (1.58 acres), the main manufacturing building and the two warehouses, including all the equipment in these buildings and all trademarks owned by Novex. In addition, the revolving line of credit that Novex has with Dime is secured by the accounts receivable generated at the Por-Rok unit and all inventory.

For the quarter ended November 30, 2001, Novex has been able to increase sales volume while selling, general and administrative expenses have remained relatively constant when compared to quarter ended November 30, 2000. The increase in sales has resulted in higher levels of accounts receivable and inventory as well as accounts payable and accrued expenses. For the period ended November 30, 2001, gross margin has increased and selling, general and administrative expenses have increased when compared to the same period ended November 30, 2000. The increase in the gross margin and the lower loss from operations resulted from higher sales, lower levels of plant labor and by allocating fixed factory overhead charges over a greater volume of sales.

The company has generated a positive cash flow from operations (EBITDA, plus payments for services with stock versus cash) of \$15,143 for the quarter ended November 30, 2001 compared to a negative cash flow of \$94,366 for the quarter ended November 30, 2000. Thus, while future operating cash inflows should continue to increase, Novex will still require an increase in sales volume to meet all its obligations including operating and financial charges, otherwise the company will not have sufficient cash flow to cover its operating, investing and debt payment requirements. Therefore, Novex has developed plans to improve profitability and cash flows and to continue to raise capital to sustain

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itself as it grows into a viable entity.

To improve Novex's profitability, management is undertaking a number of initiatives to increase sales and reduce expenses. In addition, management is aggressively pursuing sales of the Por-Rok, Dash Patch, Sta-Dri and Fiberforce products to large home center stores and major cooperative retailers of building materials.

To improve cash flow, Novex has endeavored to procure more favorable payment terms

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from vendors by extending the payment due date for raw materials and supplies used in manufacturing. These vendors have been willing to extend only limited credit to Novex since its acquisition of the Por-Rok product line from The Sherwin-Williams, due to the company's small size. The limited credit terms increased our need to use cash for operations.

If these efforts do not generate additional sales to enable Novex to meet all of its operating and financing expense requirements, it would then seek additional financing from third-party sources. Although the Novex's assets are fully secured by loans outstanding to Dime Commercial Corp. and Montcap Financial Corp., Novex would seek to raise additional capital through the sales of unsecured debt securities, unsecured debt combined with equity securities or preferred and common stock. It is likely, however, that any unsecured debt financing would carry a higher interest rate than secured financing or that any equity financing might be on terms which are not favorable to Novex and which are dilutive to existing shareholders.

Inflation and Changing Prices

Novex does not foresee any risks associated with inflation or substantial price increase in the near future. In addition, the raw materials that are used by Novex in the manufacturing of its materials are available locally through many sources and are for the most part commodity products. The one raw material that Novex uses in all its products that cannot be classified as a pure commodity is currently in sufficient supply. For these reasons, while Novex will always have exposure to inflationary risks, it does not believe that inflation will have any materially significant impact on its operations in the near future.

Part II Other Information

Item 1. Legal Proceedings

On August 12, 1997, a shareholder who was once a director and officer of Novex ("the Plaintiff") commenced an action against Novex and its former president, Mr. A. Roy Macmillan, to enjoin Novex from taking any action that would restrict the sale of up to 300,000 shares of common stock that he allegedly owns and for the costs he will incur to conduct the lawsuit. He has not asked for, nor does Novex expect him to ask for, damages. The Plaintiff has since named Novex's current president, Mr. Dowe, in the lawsuit. The Plaintiff has no other affiliation with Novex other than for being a shareholder. The plaintiff submitted a motion for summary judgment which the court denied. Novex has raised several defenses to this action and believes that plaintiff's claims are without merit. Novex has also asserted multiple counterclaims against the plaintiff alleging that he caused the company to issue to himself and others stock for work that was never done and at a time when current management

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believes that fraudulent activities were being undertaken which caused he company's stock price to be overinflated. Plaintiff claims that he received stock as compensation for services rendered. When Novex investigated the matter it found virtually no records of any tangible service. These actions and omissions caused the U.S. Securities and Exchange Commission in or about 1997 to commence an investigation of the company, then known as Stratford Acquisition Corp. It is Novex's understanding that the investigation is still pending and the Company has no information as to what action, if any, the

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SEC may take pursuant to the investigation. Mel Greenspoon vs. Stratford Acquisition Corporation, et. al., Ontario Court (General Division), Index No. 97-CV-126814.

Item 2. Changes in Securities.

During this quarter, the Registrant issued a total of 65,000 shares of its common stock to one employee and an individual that provided investor relations services. One other employee received 25,000 stock options as part of an annual review. In November 2001, the company issued 329,412 shares of restricted common stock for \$28,000.

Item 3. Defaults Upon Senior Securities. None.

Item 4. Submission of Matters to a Vote of Security Holders. None.

Item 5. Other Information. None.

Item 6. Exhibits and Reports on Form 8-K. None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, Novex Systems International Incorporated has duly caused this report to be signed on its behalf by the undersigned person who is duly authorized to sign on behalf of the Registrant and as chief accounting officer.

NOVEX SYSTEMS INTERNATIONAL, INC.

By: /s/ Daniel W. Dowe

Daniel W. Dowe
President and Chief Executive Officer

Date: January 22, 2002

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