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NOVEX SYSTEMS INTERNATIONAL, INC.
BALANCE SHEET
AUGUST 31, 2001

ASSETS

CURRENT ASSETS:

Accounts receivable, net of allowance for doubtful accounts of \$53,347	\$ 410,953
Inventories	192,430
Prepaid expenses and other current assets	87,889

Total Current Assets	691,272
----------------------	---------

PROPERTY, PLANT AND EQUIPMENT - at cost, net	1,296,171
--	-----------

GOODWILL - at cost, net	665,873
-------------------------	---------

\$ 2,653,316
=====

LIABILITIES AND SHAREHOLDERS' DEFICIENCY

CURRENT LIABILITIES:

Cash overdraft	\$ 58,080
Current portion of long term debt	1,765,066
Bank line of credit	431,214
Accounts payable	578,425
Loans payable - shareholder	18,000
Accrued expenses and other current liabilities	145,909

Total Current Liabilities	2,996,694
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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, 26,160,775 shares issued and outstanding	26,161
Additional paid-in capital	6,328,319
Accumulated deficit	(8,227,284)

Total shareholders' deficiency	(343,378)
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\$ 2,653,316
=====

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See notes to financial statements.

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NOVEX SYSTEMS INTERNATIONAL, INC.
STATEMENTS OF OPERATIONS

	Three Months Ended Ended August 31,	
	2001	2000
	(Unaudited)	(Unaudited)
NET SALES	\$ 595,699	\$ 497,833
COST OF GOOD SOLD	364,512	312,373
GROSS PROFIT	231,187	185,460
SELLING, GENERAL AND ADMINISTRATIVE	284,036	234,478
LOSS FROM OPERATIONS	(52,849)	(49,018)
OTHER INCOME (EXPENSES):		
Interest expense	(65,006)	(81,921)
Amortization of debt discount	(27,671)	(2,638)
Gain on change in valuation of put warrant	3,279	--
OTHER EXPENSES, net	(89,398)	(84,559)
LOSS FROM CONTINUING OPERATIONS	(142,247)	(133,577)
DISCONTINUED OPERATIONS:		
Loss from operations of Novex Canada	--	(48,124)
LOSS FROM DISCONTINUED OPERATIONS	--	(48,124)
NET LOSS	(142,247)	(181,701)
LESS: PREFERRED STOCK DIVIDEND	23,172	--
NET LOSS TO COMMON SHAREHOLDERS	\$ (165,419)	\$ (181,701)
LOSS PER COMMON SHARE, basic and diluted:		
From continuing operations	(0.01)	(0.01)

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From discontinued operations	--	(0.00)
	-----	-----
TOTAL LOSS PER COMMON SHARE, basic and diluted	\$ (0.01)	\$ (0.01)
	=====	=====
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, basic and diluted	24,914,226	22,528,227
	=====	=====

See notes to financial statements.

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NOVEX SYSTEMS INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS

	Three Months August 3	

	2001	

	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (142,247)	\$
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Provision for bad debts	11,261	
Depreciation and amortization	33,954	
Loss (gain) on change in valuation of put warrant	(5,231)	
Common stock issued for services	--	
Amortization of debt discount	27,671	
Changes in assets and liabilities, net of the effect from acquisition and disposition:		
Accounts receivable	(119,565)	
Inventories	11,824	
Prepaid and other current assets	(38,766)	
Net liabilities of discontinued operations	--	
Other assets	--	
Accounts payable	66,860	
Accrued interest	--	
Accrued expenses and other current liabilities	36,785	

NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(117,454)	

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

CASH USED IN INVESTING ACTIVITY	--	

CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash overdraft	29,737	

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(Repayment of) proceeds from loans payable - shareholders	(18,000)	
(Repayment of) proceeds from bank line of credit	(25,194)	
Repayment of debt obligations	(22,089)	
Proceeds from the sale of common stock	153,000	

NET CASH PROVIDED BY FINANCING ACTIVITIES	117,454	

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

CASH AT END OF PERIOD	\$ --	\$
	=====	=
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	\$ 5,075	\$
	=====	=
Income taxes	\$ --	\$
	=====	=
Non-cash flow and investing and financing activities:		
Conversion of debt to equity	\$ 178,868	\$
	=====	=
Common stock issued for assets acquired	\$ --	\$
	=====	=
Common stock issued for future services	\$ 18,903	\$
	=====	=
Common stock issued for financing considerations	\$ 19,040	\$
	=====	=
Preferred stock dividend	\$ 139,038	\$
	=====	=

See notes to financial statements.

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NOVEX SYSTEMS INTERNATIONAL, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
THREE MONTHS ENDED August 31, 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 August 31, 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 footnotes thereto included in the Company's annual report on Form 10-K for the year ended May 31, 2001.

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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 three months ended August 31, 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:

	Three Months Ended August 31,	
	2001	2000
Net Sales	\$ -- =====	\$ 68,305 =====
Loss from operations	\$ -- -----	\$ (48,124) -----
Total loss on discontinued operations	\$ -- =====	\$ (48,124) =====

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NOVEX SYSTEMS INTERNATIONAL, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
THREE MONTHS ENDED August 31, 2001
(unaudited)

4. INVENTORIES

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

	August 31, 2001
Raw Material	\$ 146,547
Finished Goods	45,883 -----
	\$ 192,430 =====

5. SHAREHOLDERS' DEFICIENCY

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As of August 31, 2001, the Company raised \$153,000 from the sale of 1,020,000 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.

During the three months ended August 31, 2001, the Company has issued 136,000 shares of common stock in consideration for the financing of \$136,000 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.

During August 2001, the Company issued 70,000 shares of restricted common stock and 75,000 warrants for future consulting services. The common stock and warrants were valued at \$8,400 and \$10,503, respectively and recorded as prepaid expense.

As of August 31, 2001, the Company issued 139,038 shares of preferred stock as payment of accrued preferred stock dividend.

On June 1, 2001, the Company granted 100,000 options to a director of the Company with an exercise price of \$.20 and will expire on June 1, 2004. In addition, the Company granted 61,805 options to its employees with an exercise price of \$.25 and will expire on October 1, 2003.

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.

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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 three month period ended August 31, 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

Three months ending August 31, 2000 vs. August 31, 2001

In the three month period ended August 31, 2001, Novex had net sales of \$595,699 versus \$497,833 in the corresponding three month period in 2000. Cost of goods sold in this period was \$364,512 which was approximately 62% of gross revenues, versus 63% in 2000. Novex incurred general and administrative costs of \$284,036 which resulted in a loss from operations of \$52,849 in this period. In

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this period, Novex incurred \$65,006 in interest expense including \$27,671 of amortization of debt discount. The company's operating loss before interest, taxes, depreciation and amortization was \$18,895. 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.

On August 31, 2001, Novex had \$691,272 in current assets which consisted primarily of inventory of \$192,430 and accounts receivable of \$410,953. The company's property, plant and equipment was \$1,296,171 net of accumulated depreciation of \$164,569 and goodwill of \$665,873 net of accumulated amortization of \$91,833.

Liquidity and Financial Resources at August 31, 2001

As of August 31, 2001, Novex had \$2,996,694 in current liabilities. Of this amount, \$431,214 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 \$578,425 accrued expenses of \$145,909 and a cash overdraft of \$58,080.

In late May through August 2001 the company began to offer 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-KSB 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 \$42,868.

On December 21, 2000, Novex obtained from a private investor a six-month 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 May 22, 2001, the same private investor made three additional bridge loans of \$286,000 for which he received 286,000 shares of common stock as of August 31, 2001. The terms of the additional bridge loans are identical to those of the original Bridge Note. He also 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 totalling \$770,086 (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.

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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 August 31, 2001, Novex has been able to increase sales volume while selling, general and administrative expenses have remained relatively constant when compared to quarter ended August 31, 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 August 31, 2001, gross margin has increased and selling, general and administrative expenses have decreased when compared to the same period ended August 31, 2000. The increase in the gross margin has resulted in lower levels of inventory, interest and accounts payable and accrued expenses.

The company has generated a negative cash flow from operations of \$117,454 for the quarter ended August 31, 2001 compared to a positive cash flow of \$41,987 for the quarter ended August 31, 2000. Thus, while future operating cash inflows should continue to increase, unless Novex's sales volume increases, 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 raising capital, if necessary.

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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 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

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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

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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 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 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 136,000 shares of its common stock to a private investor who made an additional bridge loan to the company in the previous quarter totaling \$136,000. The Registrant also issued in exchange for investor relations services to be provided 70,000 shares of common stock and a warrant to purchase 75,000 shares of common stock at a price of \$.20 per share for a three year exercise period. In June 2001, Mr. Dowe converted his \$42,868 loan to 285,786 shares of common stock and a warrant to purchase 94,858 shares of common stock at a price of \$.20 per share for a three year exercise period. The Registrant also issued 1,020,001 shares of common stock and warrants to purchase 434,855 shares of common stock in connection with equity investments totalling \$153,000 pursuant to a private offering conducted by the Registrant during the quarter. The Registrant also issued 100,000 stock options to its newest director as compensation for serving on the board of directors and issued an additional 61,805 stock options to two former employees of the Registrant's

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Canadian subsidiary as part of their severance packages.

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.

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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: /ss/ Daniel W. Dowe

Daniel W. Dowe
President and Chief Executive Officer

Date: October 19, 2001

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