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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 ending August 31, 2003 and August 31,

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2002, 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, 2003 vs. August 31, 2002

In the three month period ended August 31, 2003, Novex had net sales of \$75,804 versus \$557,526 in the corresponding three month period in 2002. Cost of goods sold in this period was \$0 which generated a gross margin of 100%, versus 35% in 2002. The material change in sales and gross margin was attributable to Novex' conversion of its business from a manufacturing company into a licensing company. On February 1, 2003, Novex entered into an exclusive licensing agreement with CGM, Inc., whereby CGM fulfills all orders for products sold under the trade names that Novex continues to own and thereafter pays Novex a cash royalty on sales ("Licensing Agreement"). All royalty payments are based on actual sales in the previous month and are paid on a monthly basis.

This three month period marks the first quarter whereby Novex did not produce any of sales. In the three month period ending May 31, 2003, Novex was bound by the Licensing Agreement, but still needed to produce a nominal amount of sales at its former Clifton, New Jersey facility. Going forward, and assuming there are no material changes in Novex's business, the operating results will appear similar to the quarter ending August 31, 2003 than in previous quarterly periods whereby Novex recorded much higher net sales and costs of sales that are more in line with a manufacturing entity.

In this three month period, Novex recorded income from operations of \$13,655 and a net income to common shareholders of \$320,955. The net profit was attributable primarily to a one time gain on the disposition of assets of \$393,500. On July 1, 2003, Novex's former bank, Washington Mutual (formerly Dime Commercial Corp.) ("Dime") took title to the company's former manufacturing facility in Clifton, New Jersey as satisfaction of a judgment that the bank secured earlier this year in the amount of \$1,336,000. Novex has not received a final satisfaction of judgment from Dime. Dime and Novex are undertaking settlement discussions. If the settlement discussions do not result in a mutually satisfactory means for securing a satisfaction of judgment, Novex will have to consider filing a bankruptcy petition to stop Dime from executed its judgment against Novex' remaining assets, namely the intangible property that is needed by Novex to perform its obligations under the Licensing Agreement.

In the three month period, Novex incurred financing charges of \$40,986. Until Novex can either refinance its outstanding debt, or merge with another company which will include a refinancing of the debt

it will continue to accrue inordinate debt charges on a monthly basis.

Novex incurred selling, general and administrative costs of \$62,149.

On August 31, 2003, Novex had \$45,428 in current assets, which consisted primarily of inventory of royalty receivables of \$21,844 and cash of \$23,584. Novex also has goodwill of \$579,067, which represents the book value of its trademarks, trade names and customer list which are the assets that generate the royalty income that the company earns.

### Liquidity and Financial Resources at August 31, 2003

As of August 31, 2003 Novex had \$2,906,592 in current liabilities. Of this

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amount, \$1,990,998 is due to four shareholders that loaned funds to the company since 1998. The remaining liabilities are account payable and accrued expenses of \$483,609 and various taxes payable of \$431,985.

On December 21, 2000, Novex obtained from a private investor, who is referenced above as one of four shareholders, 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 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 Novex assets. During the period from February 21, 2001, through October 4, 2001, the same private investor made three additional bridge loans of \$411,000 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 made an equity investment of \$50,000 on January 21, 2001 for which he received 625,000 shares of Novex' common stock. As part of a forbearance agreement that Novex and the holder entered into the 625,000 shares of common stock were tendered back to the company for cancellation.

### 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 in the manufacturing of Novex's products are available locally through many sources and are for the most part commodity products.

### Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amount of assets and liabilities, revenues and expenses, and related disclosure on contingent assets and liabilities at the date of our financial statements. Actual results may differ from these estimates under different assumptions and conditions.

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Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties, and potentially result in materially different results under different assumptions and conditions. We believe that our critical accounting policies are limited to those described below. For a detailed discussion on the application of these and other accounting policies see our note 2 to our financial statements.

### Long-Lived Assets (including Tangible and Intangible Assets)

We acquired businesses in recent years, which resulted in tangible assets being recorded. The determination of the value of such intangible assets requires management to make estimates and assumptions that affect our consolidated financial statements. We assess potential impairment to the intangible and tangible assets on a quarterly basis or when evidence that events or changes in circumstances indicate that the carrying amount of an assets may not be recovered. Our judgments regarding the existence of impairment indicators, if any, and future cash flows related to these assets are based on operational performance of our business, market conditions and other factors.

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### Accounting for Income Taxes

As part of the process of preparing our financial statements we are required to estimate our income taxes. Management judgment is required in determining our provision of our deferred tax asset. We recorded a valuation for the full deferred tax asset from our net operating losses carried forward due to the Company not demonstrating any consistent profitable operations. In the event that the actual results differ from these estimates or we adjust these estimates in future periods we may need to adjust such valuation recorded.

### Going Concern

The financial statements of the Company have been prepared assuming that the Company will continue as a going concern. The Company has had negative working capital for each of the last two years ended May 31, 2003 and 2002. The Company has recently relinquished title to its property and equipment due to default of its bank line of credit and mortgage on its property. The Company is in arrears with paying payroll taxes for several months. Those conditions raise substantial doubt about the abilities to continue as a going concern. The financial statements of the Company do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

### Item 3. Controls and Procedures

#### (A) Evaluation of Disclosure Controls and Procedures

Within the 90 days prior to the date of this report, the Company carried out an evaluation under the supervision and with the participation of the Company's management, including the Company's President and Acting Treasurer of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to the Exchange Act Rule 13a-14. Based upon that evaluation, the President and Acting Treasurer concluded that the Company's disclosure controls and procedures are effective in timely alerting the Company to material information required to be included in

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the Company's periodic SEC filings relating to the Company.

#### (B) Changes in Internal Controls

There were no significant changes in the Company's internal controls or in the other factors that could significantly affect these internal controls subsequent to the date of our most recent evaluation.

### Part II Other Information

#### Item 1. Legal Proceedings

In March, 2001, Dime Commercial Corp. commenced a legal action against Novex to secure payment on the two outstanding notes and a separate action to seek foreclosure on the real property in an attempt to force the company to pay-off the notes in a reasonable time period. In April, 2003 Dime received a judgment for \$1,336,000 and a judgment in foreclosure on Novex's real property, which was conveyed to Dime, along with Novex's personal tangible property located at the real property on July 1, 2003 in what Novex believes to be full satisfaction of the judgment.

One vendor, which is also a shareholder, commenced an action against Novex

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and received a judgment for \$95,000 for unpaid cash payments that were required to be made on a monthly basis, plus purchased inventory when Novex acquired the Sta-Dri assets from the former Sta-Dri Company.

Some small vendor accounts have commenced actions against Novex to secure payments on aged accounts payable and the company does not believe these actions would have materially adverse consequences to the company, since more senior creditors have priority rights to Novex's collateral and no other creditors can threaten the company or its assets without the approval of these senior creditors.

Item 2. Changes in Securities. None.

Item 3. Defaults Upon Senior Securities. See Item 1. above.

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

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officer.

NOVEX SYSTEMS INTERNATIONAL, INC.

By: /ss/ Daniel W. Dowe

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Daniel W. Dowe  
President and Acting Treasurer

Date: November 10, 2003

NOVEX SYSTEMS INTERNATIONAL, INC.  
BALANCE SHEET  
August 31, 2003

ASSETS

CURRENT ASSETS:

Cash	\$	23,584
Royalty/Licensee receivable		21,844
		-----
Total Current Assets		45,428

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GOODWILL - at cost, net	579,067
	-----
	\$ 624,495
	=====

LIABILITIES AND SHAREHOLDERS' DEFICIENCY

CURRENT LIABILITIES:

Current portion of long term debt	1,511,000
Accounts payable	513,402
Loans payable - shareholder	152,827
Accrued expenses and other current liabilities	332,755
Accrued Taxes	396,609
	-----
Total Current Liabilities	2,906,592
	-----

COMMITMENTS AND CONTINGENCY

SHAREHOLDERS' DEFICIENCY:

Preferred stock - \$0.001 par value, 10,000,000 shares authorized, 1,644,133 shares issued and outstanding (liquidation value \$1,644,133)	1,644,133
Common stock - \$0.001 par value, 50,000,000 shares authorized 26,245,187 shares issued and outstanding	26,245
Additional paid-in capital	6,413,267
Accumulated deficit	(10,365,743)
	-----
Total shareholders' deficiency	(2,282,098)
	-----
	\$ 624,495
	=====

See notes to financial statements.

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NOVEX SYSTEMS INTERNATIONAL, INC.  
STATEMENTS OF OPERATIONS

	Three Months Ended August 31,	
	2003	2002
	----	----
	(Unaudited)	(Unaudited)
NET SALES	75,804	557,526
COST OF GOODS SOLD	0	361,098
	-----	-----
GROSS PROFIT	75,804	196,428
SELLING, GENERAL AND ADMINISTRATIVE	62,149	260,722
	-----	-----

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INCOME (LOSS) FROM OPERATIONS	13,655	(64,294)
	-----	-----
OTHER INCOME (EXPENSES):		
Interest expense	(40,986)	(86,178)
Gain on Exchange of Assets	393,500	0
	-----	-----
OTHER EXPENSES, net	352,514	(86,178)
	-----	-----
NET INCOME (LOSS)	366,169	(150,472)
Less: Preferred stock dividend	45,214	38,235
	-----	-----
NET INCOME (LOSS) TO COMMON SHAREHOLDERS	320,955	(188,707)
	=====	=====
INCOME (LOSS) PER COMMON SHARE, basic and diluted	\$ 0.01	\$ (0.01)
	=====	=====
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, basic and diluted	26,245,187	26,870,187
	=====	=====

See notes to financial statements.

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NOVEX SYSTEMS INTERNATIONAL, INC.  
STATEMENTS OF CASH FLOWS

	Three M
	-----
	2003
	-----
	(Unaudi
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income (loss)	\$ 366
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	12
Gain on Exchange of Assets.	(393)
Reversal of excess accruals	(25)
Amortization of debt discount	
Changes in assets and liabilities, net of the effect from acquisition:	
Accounts receivable	68
Royalty/Licensee receivable	(21)
Inventories	
Prepaid and other current assets	
Accounts payable	(6
Accrued expenses and other current liabilities	(25
Accrued payroll taxes	19
	-----
NET CASH USED IN OPERATING ACTIVITIES	(5



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CASH FLOWS FROM INVESTING ACTIVITIES:

CASH FLOWS FROM FINANCING ACTIVITIES:

(Repayment of) proceeds from loans payable - shareholders 26  
 (Repayment of) proceeds from bank line of credit  
 Proceeds from debt financing  
 (Repayment) of debt obligations

NET CASH PROVIDED BY FINANCING ACTIVITIES

NET INCREASE (DECREASE) IN CASH

CASH AT BEGINNING OF YEAR

CASH AT END OF PERIOD

SUPPLEMENTAL CASH FLOW INFORMATION:

Cash paid during the period for:  
 Interest

Income taxes

Non-cash flow and investing and financing activities:  
 Accrued preferred stock dividend

Foreclosure of property and equipment

Reversal of accrued liabilities related to foreclosure

Satisfaction of bank debt via foreclosure

See notes to financial statements.