

1

CLEMEX

THE IMAGE ANALYSIS PEOPLE

**QUARTER REPORT
FISCAL YEAR 2000**

Message to Shareholders

We are very pleased with the financial results for the first quarter ended July 31st, 1999 which demonstrate that the Company is continuing its aggressive growth. Revenues were \$ 1.58 million for the quarter, representing an increase of 47.1% over the same quarter of the previous fiscal year, while net income rose by 27% reaching \$ 143,338.

Our efforts during this first quarter were focused on building our distribution business for the Struers product line and promoting our recently released next generation high-end image analysis system, the Clemex ImPak Hi-Res. Following the product launch in March of 1999 at the TMS Annual Meeting & Exhibition in San Diego, CA, we were successful in securing approximately half-a-million dollars in unit sales for this quarter. Canmet (Government of Canada), Stelco, Caterpillar and GM Powertrain were among the customers who placed the first Clemex ImPak Hi-Res orders.

In an effort to further expand our reach in the marketplace, we began recruiting qualified dealers in various countries as well as in the United States. During the first quarter, several have agreed to carry the Clemex software product line and are committed to promoting the Company's solutions through various marketing vehicles in the coming months. We believe that a well established dealer network will permit us to distribute a greater volume of software products and thus improve our overall profit margins.

Concerning the Year 2000 issue, the Corporation has undergone preventative measures by reviewing its software and hardware systems, and does not anticipate that any modifications or replacement will be required to ensure Year 2000 compliance. Should Year 2000 problems arise as a result of the use of products manufactured by third parties, the Corporation does not foresee that it will be materially adversely affected by potential failures, if any.

We continue to concentrate our efforts and energy on becoming the worldwide leaders in providing automated solutions for quantitative microscopy. Our future plans are to continue to grow our business by releasing new products in the coming months and implementing complimentary distribution strategies.

A handwritten signature in black ink, appearing to read 'Clement Forget', is positioned to the left of a vertical line.

Clement Forget
Chairman, President & CEO

Consolidated Balance Sheet

Ended July 31st 1999 (unaudited)

	1999	1998
	\$	\$
Assets		
Current Assets		
Cash	-	50,942
Temporary investements	931,839	-
Accounts receivable	1,365,899	862,619
Inventories	474,750	504,827
Prepaid expenses	16,595	15,784
Tax credit for research and development	370,135	346,013
	3,159,218	1,780,185
Development Costs	1,310,585	891,098
Tax Credit for Research and Development	355,601	407,545
Fixed Assets and Assets Under a Capital Lease		
	503,581	429,211
Other Assets	19,231	18,731
	5,348,215	3,526,770
Liabilities		
Current Liabilities		
Bank indebtedness	720,907	-
Accounts payable	890,202	420,529
Note payable	-	320,000
Current portion of obligation under capital leases	54,797	7,000
Current portion of long-term debt	81,114	102,964
	1,747,021	850,493
Obligation Under Capital Leases	77,168	6,113
Long-term Debt	507,423	634,470
Shareholders' Equity		
Capital Stock	3,967,464	2,467,464
Deficit	(950,859)	(431,770)
	3,016,604	2,035,694
	5,348,215	3,526,770

Consolidated Statements of Operations & Deficit

For the period of 3 months ended July 31st 1999 (unaudited)

	1999	1998
	\$	\$
Sales	1,585,130	1,077,545
Cost of Sales	770,996	619,835
Gross Profit	814,134	457,710
Operating Expenses		
Commercial expenses	339,574	255,855
Administrative expenses	183,789	127,527
Financial expenses	48,811	22,588
Depreciation	123,845	88,825
	696,018	494,795
Other Income	25,222	149,997
Net Income	143,338	112,912
Deficit at Beginning	(1,094,197)	(544,682)
Deficit at End	(950,859)	(431,770)

Consolidated Cash Flow

For the period of 3 months ended July 31st 1999 (unaudited)

	1999	1998
	\$	\$
Operating Activities		
Net Income	143,338	112,912
Items not affecting cash resources		
Depreciation of fixed assets	14,300	13,825
Depreciation of development expenses	109,545	75,000
	267,183	201,737
Net changes in non-cash working capital balances	(416,785)	(106,190)
Net funds provided from (used for) operation	(149,603)	95,547
Financing Activities		
New long-term debt	-	72,000
Reimbursement of long-term debt	(25,741)	(370,520)
Reimbursement of obligations under capital leases	(17,086)	(3,430)
Issue of common shares	-	212,004
	(42,827)	(89,946)
Investing Activities		
Acquisition of fixed assets	(6,968)	(43,738)
Acquisition of development expenses	(207,255)	(76,490)
Acquisition of other assets	-	(1,658)
	(214,223)	(121,886)
Changes in Cash Resources	(406,653)	(116,285)
Cash and Cash Equivalents at Beginning	617,585	167,227
Cash and Cash Equivalents at End	210,932	50,942

Headquarter

Clemex Technologies Inc.
800 Guimond,
Longueuil, Quebec,
Canada, J4G 1T5
Telephone: (450) 651-6573
Fax: (450) 651-9304
www.clemex.com
info@clemex.com

US Subsidiary

Clemex Corp
5965-A Wilcox Place,
Dublin, OH,
43016-6788
Telephone: (614) 789-0046
Fax: (614) 789-0056

Transfer Agent

Compagnie
Trust CIBC Mellon,
Montreal, Quebec

Auditors

Besner, Massie,
Pharand, Sédillot
Chartered Accountants,
Brossard, Quebec

Solicitors

Pouliot, Mercure
Montreal, Quebec

Bankers

Royal Bank of Canada
Montreal, Quebec

Trading Symbol

Clemex Technologies Inc.
is listed on The Alberta
Stock Exchange under the
symbol CXG.A

Authorized

illimited

Issued

17 878 530

Administrators

Clément Forget
President & CEO
Clemex Technologies Inc.

Pierre Coutou
Consultant,
Innovatech du Grand
Montréal

Me Lisane Dostie
Director of Corporate
Affairs and Secretary,
Labopharm Inc.

Richard Gauthier
President,
Investissements
Gaumon Inc.

Normand Labonté
Director &
VP Internationale Sales,
Clemex Technologies Inc.

Sylvain Laroche
Director & VP R&D,
Clemex Technologies Inc.

Jacqueline Serres
Portfolio Manager,
Fonds de Solidarité des
Travailleurs du Québec

Officers

Clément Forget
President & CEO
Clemex Technologies Inc.

Normand Labonté
Director &
VP Internationale Sales,
Clemex Technologies Inc.

Sylvain Laroche
Director & VP R&D,
Clemex Technologies Inc.

