

Corporate information

Headquarters

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

Subsidiary

Clemex Corp
17195 Silver Parkway, suite 409,
Fenton, MI 48430-3426 USA

Transfer Agent

CIBC Mellon Trust
Montreal, QC

Trading Symbol

Clemex Technologies Inc.
is listed on The Canadian Venture
Exchange (CDNX)
under the symbol CXGA

Authorized Number of Class A Shares

unlimited

Issued Class A Shares

18,543,560

Board of Directors

Clément Forget
Chairman, President and CEO
Clemex Technologies Inc.

Normand Labonté
Vice-President, International Sales
Clemex Technologies Inc.

Sylvain Laroche
Vice-President, R&D
Clemex Technologies Inc.

Renaud Caron
Senior Vice-President
Business Engineering
CGI Group, Inc.

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

Raffaele Gerbasi
Vice-President and General Manager of
the Broadband Division
Sunrise Telecom Inc.

Dr. Jean-Marie Leclerc
VP, Medical Affairs
Novartis Pharma Canada Inc.

Officers

Clément Forget
President, Chairman and CEO
Clemex Technologies Inc.

Normand Labonté
Vice-President, International Sales
Clemex Technologies Inc.

Sylvain Laroche
Vice-President, R&D
Clemex Technologies Inc.

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Quarterly Report
2003-2004

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Message to Shareholders

This past quarter can be characterized as a period of adjustment. When compared with the first quarter of last year, our organization was successful in increasing revenues by 13% and improving gross margin by 4%. Steps were undertaken that enabled us to reduce our administrative and R&D expenses by 25% and 21% respectively. With the combination of these measures and improvements in top line growth, the Company's quarterly loss was cut by more than half when compared with the period ending July 31st, 2002.

Despite the Company's \$ 93,147 first quarter loss, major inroads were made in expanding our presence in the US market. Clemex experienced a major jump in direct sales from the US market and revenues generated through international distributors. However, these gains were partially offset by declining sales in Canada and on the metallographic distribution side of the business.

The drop can be attributed to the fact that we are still in the process of developing the ATM brand. Typically, sales cycles average approximately 6-12 months. Our team only began to demonstrate ATM equipment with the use of the Clemex mobile laboratory toward the start of the first quarter. Consequently, we believe that revenues should recover in the near term as our new product line gains additional market exposure.

With respect to revenues generated from the sale of high-end imaging systems, we landed a key sale to INVE Technologies NV, a Belgium-based animal rearing solution provider. INVE purchased a robotic imaging system valued in excess of \$125,000 and expressed interest in adding additional systems to its laboratories around the world in the short-term.

The coming months will be an exciting and challenging time for the Company. We are confident however, that with the dedication of our loyal team coupled with a superior product line, major strides in the development of our organization will take place.



Clément Forget
President, CEO & Chairman



Notes to Consolidated Financial Statements

For period of three months ended July 31st (unaudited)

1. Basis of presentation

These consolidated financial statements have been prepared in conformity with Canadian generally accepted principles. The same accounting policies as described in the latest annual report have been used. However, these consolidated financial statements do not include all disclosures required under generally accepted accounting principles and accordingly should be read in connection with the consolidated financial statements and the notes thereto included in the Corporation's latest Annual report.

2. Stock option plan

Diluted Earnings per Share

As at July 31, 2003, 1,274,448 options granted to acquire common shares of the Corporation at prices ranging from \$0.16 to \$0.60 were outstanding. During the period ending July 31, 2003, 38,000 options were cancelled.

3. Comparative figures

Certain of the comparative figures have been reclassified to conform with the basis of presentation adopted in the current period.

Consolidated Balance Sheet

July 31, 2003 with comparative figures for April 30, 2002

| | July 31 st 2003 (unaudited) | April 30 th 2003 (audited) |
|---|--|---|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 16,271 | \$ 29,718 |
| Accounts receivable | 1,030,805 | 1,261,455 |
| Research & development tax credits receivable | 281,208 | 230,000 |
| Inventories | 756,175 | 723,562 |
| Prepaid expenses | 52,120 | 44,726 |
| | 2,136,579 | 2,289,461 |
| Capital assets | 745,434 | 818,744 |
| Deferred financing costs, net of accumulated amortization of \$ 5,575 | 31,597 | 33,455 |
| | \$ 2,913,610 | \$ 3,141,660 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Bank indebtedness | \$ 741,443 | \$ 755,650 |
| Accounts payable and accrued liabilities | 685,204 | 771,522 |
| Customer deposits and deferred revenue | 27,914 | 37,502 |
| Current portion of long-term debt | 276,679 | 246,305 |
| | 1,731,240 | 1,810,979 |
| Long-term debt | 661,818 | 716,982 |
| Shareholders' equity: | | |
| Share capital | 4,186,358 | 4,186,358 |
| Deficit | (3,665,806) | (3,572,659) |
| | 520,552 | 613,699 |
| | \$ 2,913,610 | \$ 3,141,660 |

See accompanying notes to consolidated financial statements.

Consolidated Statement of Operations

For period of three months ended July 31st (unaudited)

| | 2003 | 2002 |
|---|-------------------|-------------------|
| Sales | \$ 1,372,317 | \$1,214,955 |
| Cost of sales | 661,803 | 630,377 |
| Gross Profit | 710,514 | 584,578 |
| Operating expenses: | | |
| Commercial | 436,466 | 389,327 |
| Administrative | 142,777 | 190,041 |
| Research and development, net of tax credits | 103,002 | 130,052 |
| Depreciation | 51,855 | 31,187 |
| Financial | 69,561 | 64,783 |
| | 803,661 | 805,390 |
| Net loss (net earnings) | (93,147) | (220,812) |
| Deficit, beginning of year | (3,572,659) | (2,370,642) |
| Deficit, end of year | (3,665,806) | (2,591,454) |
| Net earnings (loss) per share: | | |
| Basic | \$ (0.01) | \$ (0.01) |
| Diluted | (0.01) | (0.01) |
| Weighted average number of shares outstanding | 18,543,560 | 18,543,560 |
| Dilutive effect of stock options | - (1) | - (1) |
| Diluted weighted average number of shares | 18,543,560 | 18,543,560 |

See accompanying notes to consolidated financial statements.

(1) The options for the current period and for the comparable period were antidilutive.

Consolidated Cash Flow

For period of three months ended July 31st (unaudited)

| | 2003 | 2002 |
|--|------------------|------------------|
| Cash flow from operating activities: | | |
| Net earnings (net loss) | \$ (93,147) | \$ (220,812) |
| Adjustments for: | | |
| Depreciation | 51,855 | 31,187 |
| Amortization of deferred financing costs | 1,859 | - |
| Gain on disposal of capital assets | (5,437) | (26) |
| | (44,870) | (189,651) |
| Net change in non-cash operating assets and liabilities | 43,529 | 62,829 |
| | (1,340) | (126,822) |
| Cash flow from financing activities: | | |
| Net change in bank indebtedness | (14,207) | 180,368 |
| Issuance of long-term debt | - | 28,450 |
| Reimbursement of principal of long-term debt | (24,791) | (22,833) |
| | 38,998 | 185,985 |
| Cash flow from Investing activities: | | |
| Purchase of capital assets | (4,341) | (62,211) |
| Proceeds from disposal of capital assets | 31,233 | 1,320 |
| | 26,892 | (60,891) |
| Net decrease in cash and cash equivalents | (13,447) | (1,728) |
| Cash and cash equivalents, beginning of year | 29,718 | 13,295 |
| Cash and cash equivalents, end of year | \$ 16,271 | \$ 11,567 |

See accompanying notes to consolidated financial statements.

Management Discussion and Analysis

Description of business

Clemex Technologies, Inc. ("Clemex" or "Company") develops, manufactures and markets image analysis systems and software used by quality control and research microscopy laboratories. The Company is also involved in the distribution of equipment and consumables for the specimen preparation of solid metals and materials. It is the primary representative in Canada, the US, and Mexico for the ATM product line. Clemex's customer base spans over many countries in America, Europe, Asia and encompasses large manufacturing concerns in numerous industries including automotive, aerospace, raw materials manufacturing, pharmaceuticals, mining and other sectors.

The Company's notable highlights during the first quarter 2004 included:

- > Cut its loss by more than half when compared to the same period of last year (posted a first quarter net loss of \$93,147 versus a net loss of \$220,812 recorded for the first quarter of last year)
- > Secured a major sale of its Clemex MaestroScope Robotic Imaging system to Belgium-based INVE Technologies NV valued in excess of \$125,000
- > Appointed Raffaele Gerbasi to the Board of Directors - an experienced entrepreneur with an impressive track record of developing high-tech companies.
- > Made a key sale to CEGEP Trois-Rivières totaling more than \$300,000.

Discussion of Operations and Financial Condition

During the first quarter ended July 31st, 2003, the Company increased its sales by 13% when compared with the same period of last year, reaching \$1.3 million. Revenues derived from direct sales in the US and through international distributors were particularly strong, however, were somewhat offset by a drop in sales in Canada and on the metallographic distribution side of the business. Nevertheless, gross margin improved by 4% reaching 52% explained by a greater portion of revenues coming from higher-margin software versus hardware products.

Management was successful in cutting its quarterly loss (posting a first quarter net loss of \$93,147) by more than half when compared with the period ended July 31st, 2002. Bottom line improvements were partly the result of cost cutting measures which reduced administrative expenses by 25% and R&D expenditures by 21%.

Subsequent Events

No significant events occurred after the period ended July 31st, 2003.

Financings, Principal Purposes and Milestones

Experienced entrepreneur, Raffaele Gerbasi, through his personal holding company, purchased a combined total of 3,557,530 Clemex common shares from "Le Fonds de Solidarité des Travailleurs du Québec" and "Innovatech du Grand Montréal," at a purchase price of \$0.09 per share. Mr. Gerbasi's purchase added to his current holdings of 310,800 common shares represents a 21% equity position, making him the second largest shareholder.

Liquidity and Solvency

As at July 31st, 2003, the Company had a working capital position of \$405,339. With the Company's projected earnings, management expects to have sufficient working capital to meet its current and ongoing obligations as they come due. The current and quick ratio stood at 1.26 and 0.77 respectively.