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**CLEMEX**

THE IMAGE ANALYSIS PEOPLE

**SECOND  
QUARTER REPORT  
FISCAL YEAR 2000**

## Message to Shareholders

For the second quarter ending October 31st, 1999, the company increased its sales by 27.7% reaching \$ 1.24 million when compared to last year's performance for the same period. Cumulative sales results also grew significantly, improving by 38%, and reaching \$2.83 million, for the six month period ending this quarter.

The company posted a reduced net loss of \$ 69,320 for this quarter versus a net loss of \$ 128,442 for the second quarter of 1998. Gross profit margin improved by 10%, reaching 55% for the second quarter of this year. Although performance in the second quarter has traditionally been slow, the company has been able to improve its gross profitability, mainly as a result of its turnkey image analysis product line containing less hardware and more software, plus the addition of a supplementary revenue stream derived from the company's dealer network. We believe this upward trend will continue as the company increases volume for its software products.

During this past quarter, we continued to aggressively promote the Struers product line in Canada as well as Clemex image analysis solutions in Canada, United States and other parts of the world. Some notable new accounts include Batelle, Hoechst Marion Roussel, Ohio State University, Silgan Containers, Ivaco Rolling Mills, Algoma Steel, and others. The company was also successful in selling upgrades to existing customers, including Bethlehem Steel, Macsteel, Dubai Aluminum, and others.

In addition to its direct sales efforts, the company continued its ongoing development of its dealer network. To date, the company has recruited a total of four dealers in the United States, who recently started promoting our products this past quarter. We believe that the addition of a dealer network will permit Clemex to not only increase its software sales volume, but allow the organization to more aggressively penetrate markets that were previously untapped, such as the pharmaceutical, biomedical, and select industrial markets. As a consequence, additional software revenues, will undoubtedly improve the company's overall bottom line results in the near term.

We continue to stay on course with our mission to be the worldwide leaders in quantitative microscopy by developing and promoting the industry's leading imaging solutions. New versions of our software applications will be released within the coming months, and we anticipate the ongoing development of our dealer network in the foreseeable future.



Clément Forget  
President & CEO

## Consolidated Balance Sheet

Ended October 31<sup>st</sup> 1999 (unaudited)

	<u>1999</u>	<u>1998</u>
	\$	\$
<b>Assets</b>		
<b>Current Assets</b>		
Temporary investments	<b>639,372</b>	-
Accounts receivable	<b>1,222,874</b>	895,091
Inventories	<b>622,084</b>	489,084
Prepaid expenses	<b>35,297</b>	27,919
Tax credit for research and development	<b>451,880</b>	525,820
	<b>2,971,507</b>	1,937,914
<b>Tax credit for research and development</b>	<b>355,601</b>	355,601
<b>Development Costs</b>	<b>1,451,842</b>	904,958
<b>Fixed Assets and Assets Under a Capital Lease</b>		
	<b>498,528</b>	418,417
<b>Other Assets</b>	<b>17,698</b>	18,941
	<b>5,295,176</b>	3 635,831
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Bank indebtedness	<b>736,590</b>	63,809
Accounts payable	<b>793,077</b>	612,786
Note payable	-	320,000
Current portion of obligations under capital leases	<b>42,987</b>	13,291
Current portion of long-term debt	<b>230,974</b>	102,964
	<b>1,803,628</b>	1,112,850
<b>Obligations Under Capital Leases</b>		
	<b>75,907</b>	7,000
<b>Long-term Debt</b>	<b>468,356</b>	608,729
<b>Shareholders' Equity</b>		
<b>Capital Stock</b>	<b>3,967,464</b>	2,467,464
<b>Deficit</b>	<b>( 1,020,179 )</b>	( 560,212 )
	<b>2,947,285</b>	1,907,252
	<b>5,295,176</b>	3,635,831

## Consolidated Statements of Operations & Deficit

For the period of 3 months ended October 31<sup>st</sup> 1999 (unaudited)

	<b>second quarter 1999</b>	second quarter 1998	<b>six months 1999</b>	six months 1998
	\$	\$	\$	\$
<b>Sales</b>	<b>1,242,342</b>	973,039	<b>2,827,472</b>	2,050,584
<b>Cost of Sales</b>	<b>557,849</b>	536,623	<b>1,328,845</b>	1,156,458
<b>Gross Profit</b>	<b>684,493</b>	436,416	<b>1,498,627</b>	894,126
<b>Operating Expenses</b>				
Commercial expenses	<b>377,697</b>	278,897	<b>717,270</b>	534,752
Administrative expenses	<b>209,129</b>	172,351	<b>392,918</b>	299,878
Financial expenses	<b>40,599</b>	24,786	<b>89,410</b>	47,374
Depreciation	<b>125,046</b>	88,824	<b>248,891</b>	177,649
	<b>752,471</b>	564,858	<b>1,448,489</b>	1,059,653
<b>Other Income</b>	<b>( 1,342 )</b>	-	<b>23,880</b>	-
<b>Income (loss) Before Following Item</b>	<b>( 69,320 )</b>	(128,442)	<b>74,018</b>	( 165,527 )
Gain on long-term debt redemption	-	-	-	149,997
<b>Net Income (net loss)</b>	<b>( 69,320 )</b>	( 128,442 )	<b>74,018</b>	( 15,530 )
<b>Deficit at Beginning</b>	<b>( 950,859 )</b>	( 431,770 )	<b>( 1,094,197 )</b>	( 544,682 )
<b>Deficit at End</b>	<b>( 1,020,179 )</b>	* ( 560,212 )	<b>( 1,020,179 )</b>	( 560,212 )
<b>Income (loss) per Share (basic)</b>	<b>( 0.01 )</b>	( 0.01 )	<b>0.01</b>	( 0.01 )

\* Includes IPO fees.

## Consolidated Cash Flow

For the period of 3 months ended October 31<sup>st</sup> 1999 (unaudited)

	<b>second quarter 1999</b>	second quarter 1998	<b>six months 1999</b>	six months 1998
	\$	\$	\$	\$
<b>Operating Activities</b>				
Net Income	( 69,320 )	( 128,442 )	74,018	( 15,530 )
Items not affecting cash resources				
Depreciation of fixed assets	15,501	13,824	29,801	27,649
Depreciation of development expenses	109,545	75,000	219,090	150,000
	<b>55,726</b>	( 39,618 )	<b>322,909</b>	162,119
Net changes in non-cash working capital balances	( 201,881 )	35,530	( 618,667 )	(70,660)
Net funds provided from (used for ) operation	( 146,155 )	( 4,088 )	( 295,758 )	91,459
<b>Financing Activities</b>				
New long-term debt	122,000	-	122,000	72,000
Reimbursement of long-term debt	( 11,207 )	( 25,741 )	( 36,948 )	( 396,261 )
New obligations under capital lease	-	8,855	-	8,855
Reimbursement of obligations under capital lease	( 13,071 )	( 1,677 )	( 30,157 )	( 5,107 )
Issue of common shares	-	-	-	212,004
	<b>97,722</b>	( 18,563 )	<b>54,895</b>	( 108,509 )
<b>Investing Activities</b>				
Acquisition of fixed assets	( 8,915 )	( 21,480 )	( 15,883 )	( 65,218 )
Acquisition of development expenses	( 250,802 )	( 70,410 )	( 458,057 )	( 146,900 )
Acquisition of other assets	-	( 210 )	-	( 1,868 )
	( 259,717 )	( 92,100 )	( 473,940 )	( 213,986 )
<b>Changes in Cash Ressources</b>	( 308,150 )	( 114,751 )	( 714,803 )	( 231,036 )
<b>Cash and Cash Equivalents at Begining</b>	210,932	50,942	617,585	167,227
<b>Cash and Cash Equivalents at End</b>	( 97,218 )	( 63,809 )	( 97,218 )	( 63,809 )

## **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**

KPMG  
Chartered Accountants  
Montreal, Quebec

## **Solicitors**

Pouliot, Mercure  
Montreal, Quebec

## **Bankers**

Royal Bank of Canada  
Montreal, Quebec

## **Trading Symbol**

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

**Authorized**  
unlimited

**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 International 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 International Sales  
Clemex Technologies Inc.

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