



## 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

### Auditors

KPMG LLP  
Chartered Accountants  
Montreal, Quebec

### Solicitors

Pouliot, Mercure  
Montreal, Quebec

### Bankers

National Bank of Canada  
Montreal, Quebec

### 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.

### *Frank Meunier*

Investment Consultant  
Innovatech du Grand Montréal

### *Me Lisane Dostie*

Director, Corporate Affairs  
and Secretary  
Labopharm Inc.

### *Yvan Landry*

Portfolio Manager  
FSTQ

### *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*

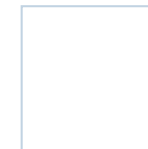
Vice-President, R&D  
Clemex Technologies Inc.

# CLEMEX

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Quarterly Report

**2003**



## Message to Shareholders

Reflecting upon our activities this past quarter, I am pleased to report that we made major strides in building our team with the addition of five sales representatives. This ramping up phase principally explains changes in our financial position when compared year over year.

Sales for the quarter slightly declined from \$ 1.64 million for the second quarter of 2001 to \$ 1.61 million for the period ending October 31st, 2002. Gross margin fell by 4% reaching 56%, explained by a higher proportion of sales derived from hardware products versus software packages. Overall, the Company posted a net profit of \$ 4,003 this quarter compared to \$ 216,346 reached during the same period of last year.

Although we experienced a drop in net profit, the second quarter was a period dedicated to growing our organizational infrastructure. An instrumental move in the development of our company, these measures were primarily implemented to support our metallographic equipment and supply distribution business.

Our decision to terminate our relationship with Struers A/S and sign a dealership arrangement with a competing vendor - ATM GmbH last quarter, appears not to have significantly impacted our sales performance in Canada.

With the combination of additional sales representation in the US and Canada, the purchase of a thirty-six foot mobile laboratory, and the recent launch of an aggressive advertising campaign, we anticipate a rebound in gross sales for the short-term.

On the pharmaceutical front, we continued to make progress in this market niche with multiple imaging system sales to Bristol Myers Squibb and Abbott Laboratories. In the coming quarter, we intend on attending major pharmaceutical trade shows that we believe will generate additional interest.

The coming months will be an exciting and challenging time for the Company. We are confident, that with the dedication of our loyal team coupled with a superior product line, major progress will be made in expanding our business.



Clément Forget  
President, CEO & Chairman



## Notes to Consolidated Financial Statements

For period of three months ended October 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, with exception of the change in accounting policy described in note 2a). 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. Accounting policies

#### a) Change in accounting policy

##### *Stock-based compensation*

Effective May 1, 2002, the Company adopted the new recommendations published by the Canadian Institute of Chartered Accountants (CICA) relating to stock-based compensation. As permitted, the Company has applied this change prospectively for new awards granted on or after May 1, 2002. The Company has chosen to recognize no compensation when stock options are granted to employees and directors under stock option plans with no cash settlement features. However, direct awards of stock to employees, stock and stock option awards granted to non-employees will be accounted for in accordance with the fair value method of accounting for stock-based compensation.

### 3. Stock option plan

#### *Diluted Earnings per Share*

As at October 31, 2002, 1,418,148 options granted to acquire common shares of the Corporation at prices ranging from \$0.16 to \$0.60 were outstanding. During the period ending October 31, 2002, 60,000 options were granted.

### 4. Comparative figures

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

**Consolidated Balance Sheets**

October 31, 2002 with comparative figures for April 30, 2002

	October 31 <sup>st</sup>	April 30 <sup>th</sup>
	2002	2002
	(unaudited)	(audited)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 54,314	\$ 13,295
Accounts receivable	1,385,211	1,184,190
Research & development tax credits receivable	297,915	142,816
Inventories	787,040	865,616
Prepaid expenses	118,537	30,597
	<b>2,643,017</b>	2,236,514
Capital assets	<b>817,880</b>	412,557
Intangible assets	<b>5,635</b>	7,585
Future income taxes	<b>355,601</b>	355,601
	<b>\$ 3,822,133</b>	\$ 3,012,257
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Bank indebtedness	\$ 1,025,424	\$ 41,926
Accounts payable and accrued liabilities	773,103	710,826
Current portion of long-term debt	183,632	280,406
	<b>1,982,159</b>	1,033,158
Long-term debt	<b>241,067</b>	163,383
Shareholders' equity:		
Share capital	4,186,358	4,186,358
Deficit	(2,587,451)	(2,370,642)
	<b>1,598,907</b>	1,815,716
	<b>\$ 3,822,133</b>	\$ 3,012,257

See accompanying notes to consolidated financial statements.

**Consolidated Statements of Operations**

For period of three months ended October 31st 2002 (unaudited)

	second quarter		six months	
	2002	2001	2002	2001
Sales	\$ 1,609,277	\$ 1,639,477	\$ 2,775,710	\$ 3,155,207
Cost of sales	<b>715,440</b>	657,193	<b>1,345,817</b>	1,313,325
Gross Profit	<b>893,837</b>	982,284	<b>1,429,893</b>	1,841,882
Expenses:				
Commercial	565,092	368,007	954,419	727,930
Administrative	186,303	182,206	376,343	339,729
Research and development, net of tax credits	70,874	144,728	200,926	294,330
Depreciation	44,380	40,387	75,567	81,072
Financial	23,185	40,924	39,447	59,939
	<b>889,834</b>	776,252	<b>1,646,702</b>	1,503,000
Net earnings (net loss)	<b>4,003</b>	216,346	<b>(216,809)</b>	338,882
Deficit, beginning of year	<b>(2,591,454)</b>	( 2,753,934)	<b>(2,370,642)</b>	( 2,876,470)
Deficit, end of year	<b>\$ (2,587,451)</b>	\$ (2,537,588)	<b>\$ (2,587,451)</b>	\$( 2,537,588)
Net earnings (loss) per share:				
Basic	<b>\$ 0.00</b>	\$ 0.01	<b>\$ (0.01)</b>	\$ 0.02
Diluted	<b>(0.00)</b>	0.01	<b>(0.01)</b>	0.02
Weighted average number of shares outstanding	<b>18,543,560</b>	18,543,560	<b>18,543,560</b>	18,543,560
Dilutive effect of stock options	-	(1)	-	(1)
Diluted weighted average number of shares	<b>18,543,560</b>	18,543,560	<b>18,543,560</b>	18,543,560

See accompanying notes to consolidated financial statements.

(1) The options were antidilutive for the current period and options for the comparable period were not "in the money".

## Consolidated Cash Flow

For period of three months ended October 31st 2002 (unaudited)

	second quarter		six months	
	2002	2001	2002	2001
<b>Cash flow from operating activities:</b>				
Net earnings (net loss)	\$ 4,003	\$ 216,346	\$ (216,809)	\$ 338,882
Adjustments for:				
Depreciation	44,380	40,387	75,567	81,072
Gain on disposal of capital assets	3,328	(253)	3,302	(2,653)
	51,711	256,480	(137,940)	417,301
Net change in non-cash operating assets and liabilities	(366,036)	(294,625)	(303,207)	(415,589)
Cash flow (used) provided by operating activities	(314,325)	(38,145)	(441,147)	1,712
<b>Cash flow from financing activities:</b>				
Net change in bank indebtedness	803,130	66,387	983,498	69,536
Issuance of long-term debt	351,683	-	380,133	-
Reimbursement of principal of long-term debt	(376,390)	(34,616)	(399,223)	(77,571)
Cash flow provided (used) by financing activities	778,423	31,771	964,408	(8,035)
<b>Cash flow from Investing activities:</b>				
Purchase of capital assets	(429,151)	(48,878)	(491,362)	(84,648)
Proceeds from disposal of capital assets	7,800	54,361	9,120	70,548
Cash flow used by investing activities	(421,351)	5,483	(482,242)	(14,100)
Net decrease in cash and cash equivalents	42,747	(891)	41,019	(20,423)
Cash and cash equivalents, beginning of year	11,567	8,153	13,295	27,685
Cash and cash equivalents, end of year	\$ 54,314	\$ 7,262	\$ 54,314	\$ 7,262

See accompanying notes to consolidated financial statements.

## Management Discussion and Analysis

### Description of Business

Clemex Technologies Inc. ("Clemex" or "the 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, representing in Canada, the US, and Mexico, German-manufactured ATM GmbH products.

Clemex's customer based spans the globe and encompasses large manufacturing concerns in numerous industries including automotive, aerospace, raw materials, pharmaceuticals, and mining.

The Company's notable highlights during the second quarter 2002-2003 include:

- Established an organizational infrastructure to support a growth initiative aimed at the North American market.
- Secured debt financing of \$ 750,000 - an option that management believed was the least dilutive avenue to pursue.

### Discussion of Operations and Financial Condition

During the second quarter ended October 31st, 2002, the Company generated sales of \$ 1.61 million versus \$ 1.64 for the same period of last year. Falling short of last year's numbers, management believes the Company's drop in sales can be attributed to a ramping up phase required to position the organization for future growth.

Bottom line figures were affected this quarter resulting in a drop in net income from \$ 216,346 for the second quarter ending October 31st, 2001 when compared to this year's second quarter results of \$ 4,003.

This drop can partly be explained by an increase in commercial expenses required to support the firm's start-up phase in launching its new line of metallographic equipment and supplies products. These expenses include the addition of five sales representatives and their associated costs, and the launching of an aggressive advertising campaign.

As for research and development expenses, following the federal government's acceptance of the Company's scientific R&D report, an adjustment of R&D tax credit provisions was adopted. Also, when compared to last year's figures for the same quarter, a drop in R&D expenditures can be attributed to the fact that several research projects involving subcontractors were completed.

### Subsequent Events

No significant events occurred after the period ended October 31, 2001.

### Financings, Principle Purposes and Milestones

In order to finance the Company's expansionary plans, a long-term bank loan of \$ 750,000 was secured under the terms and conditions outlined by a Quebec government program entitled "Nouvelle Economie d'Investissement Quebec." With a 60-month term, the Company will begin repaying capital after a twelve-month period. The rate at which the loan was issued was prime plus two percent.

### Liquidity and Solvency

As at October 31st, 2002, the Company had a working capital position of \$ 660,858. With the Company's projected earning, 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 1.33 and 0.88 respectively.