

Corporate information

Headquarters

Clemex Technologies Inc.
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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 CXG.A

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



Message to Shareholders

This past quarter was a period of continued adjustment. The Company was successful in increasing revenues on the US side by 7% when compared with the same period of last year. While Gross Profit remained steady at 49%, cost cutting measures implemented since the last two quarters resulted in a drop in operating expenses of 25 % or \$ 278,652. This led to a significant bottom line improvement as the Company's quarterly loss was reduced by more than 59 % to \$ 136,036 when compared to last year's third quarter, in which a loss of \$ 337,760 was posted for the period.

For the third quarter of this year the Company experienced a decline in revenues of 10 % or \$ 157,226 when compared with the period ending January 31st, 2003. This reduction in gross sales was mainly caused by a decrease in revenues derived from International distributors and the Canadian market.

Continuing our effort in expanding our distribution channels, this past quarter marked a period in which we were successful in signing key dealers in major regional US markets. As our new partners become familiar with our product line combined with planned co-operative marketing efforts, we are confident that the Company will be able to expand its reach more rapidly in the US market in the short to mid-term.

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 January 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. Convertible debenture

Debenture, convertible into common shares at \$0.20 per share anytime at the holder's option and convertible at the company's option from August 2005 under certain conditions. Debenture, with a par value of \$500,000, bear interest at 9% per annum and mature in August 2008.

The fair value of the conversion option associated with convertible debenture is recorded as Other equity components in shareholders' equity. The accretion on debenture is charges to earnings rateably to maturity.

3. Stock option plan

Diluted Earnings per Share

As at JAnuary 31, 2004, 1,304,448 options granted to acquire common shares of the Corporation at prices ranging from \$0.10 to \$0.60 were outstanding.

4. Comparative figures

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

Consolidated Balance Sheets

January 31, 2004 with comparative figures for April 30, 2003

	January 31 st 2004 (unaudited)	April 30 th 2003 (audited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 85,240	\$ 29,718
Accounts receivable	1,106,950	1,261,455
Research & development tax credits receivable	140,411	230,000
Inventories	512,192	723,562
Prepaid expenses	32,255	44,726
	1,877,048	2,289,461
Capital assets	648,205	818,744
Deferred financing costs, net of accumulated amortization of \$ 9,293	27,879	33,455
	\$ 2,553,132	\$ 3,141,660
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	\$ 101,145	\$ 755,650
Accounts payable and accrued liabilities	543,399	771,522
Customer deposits and deferred revenue	33,270	37,502
Current portion of long-term debt	286,592	246,305
	964,406	1,810,979
Long-term debt	745,784	716,982
Convertible Debenture (note 2)	333,991	-
Shareholders' equity:		
Other equity components (note 2)	166,009	-
Share capital	4,186,358	4,186,358
Deficit	(3,843,416)	(3,572,659)
	508,951	613,699
	\$ 2,553,132	\$ 3,141,660

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations

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

	third quarter		nine months	
	2004	2003	2004	2003
Sales	\$ 1,381,145	\$ 1,538,371	\$ 4,302,808	\$ 4,374,792
Cost of sales	706,303	786,601	2,140,428	2,132,418
Gross Profit	674,842	751,770	2,162,380	2,242,374
Expenses:				
Commercial	407,688	620,405	1,305,046	1,574,824
Administrative	168,373	214,401	473,715	590,744
Research and development, net of tax credits	124,817	128,870	310,296	329,797
Depreciation	51,855	70,911	152,267	146,479
Financial	58,145	54,943	191,813	155,099
	810,878	1,089,530	2,433,137	2,796,943
Net earnings (net loss)	(136,036)	(337,760)	(270,757)	(554,569)
Deficit, beginning of year	(3,707,380)	(2,587,451)	(3,572,659)	(2,370,642)
Deficit, end of year	\$(3,843,416)	\$(2,925,211)	\$(3,843,416)	\$(2,925,211)
Net earnings (loss) per share:				
Basic	\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ (0.03)
Diluted	(0.01)	(0.02)	(0.01)	(0.03)
Weighted average number of shares outstanding	18,543,560	18,543,560	18,543,560	18,543,560
Dilutive effect of stock options	- (1)	- (1)	- (1)	- (1)
Diluted weighted average number of shares	18,543,560	18,543,560	18,543,560	18,543,560

See accompanying notes to consolidated financial statements.

(1) Effect of stock options and convertible debenture was not included in the calculation; otherwise, the effect would have been anti-dilutive.

Consolidated Cash Flow

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

	third quarter		nine months	
	2004	2003	2004	2003
Cash flow from operating activities:				
Net earnings (net loss)	\$ (136,036)	\$ (337,760)	\$ (270,757)	\$ (554,569)
Adjustments for:				
Depreciation	51,855	70,911	152,267	146,479
Amortization of deferred financing costs	1,859	-	5,577	-
Gain on disposal of capital assets	-	-	(21 180)	3,301
	(82,322)	(266,849)	(134,093)	(404,789)
Net change in non-cash operating assets and liabilities	170,217	318,502	235,578	15,295
	87,895	51,653	101,485	(389,494)
Cash flow from financing activities:				
Net change in bank indebtedness	(350,792)	(153,007)	(654,505)	830,491
Issue of debentures	-	-	333,991	-
Other equity components	-	-	166,009	-
Issuance of long-term debt	-	320,648	260,609	700,780
Reimbursement of principal of long-term debt	(56,088)	(39,066)	(191,519)	(438,288)
	(406,880)	128,575	(85,415)	1,092,983
Cash flow from Investing activities:				
Purchase of capital assets	(13,209)	(126,923)	(52,437)	(618,285)
Proceeds from disposal of capital assets	20,905	10,812	91,889	19,932
	7,696	(116,111)	39,452	(598,353)
Net decrease in cash and cash equivalents	(311,289)	64,117	55,522	105,136
Cash and cash equivalents, beginning of year	396,529	54,314	29,718	13,295
Cash and cash equivalents, end of year	\$ 85,240	\$ 118,431	\$ 85,240	\$ 118,431

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 third quarter 2004 included:

- > Secured an important sale valued in excess of half a million dollars to a major consumer manufacturing firm in the US
- > Reduced its operating expenses by 25 %
- > Signed a number of key dealers in major market centers in the US

Discussion of Operations and Financial Condition

During the past quarter, revenues declined by 10% reaching \$ 1.4 million when compared to \$ 1.5 million for the same period of last year. Gross margin remained steady at 49% while operating expenses declined by 25% reaching \$ 810, 878. These significant cost cutting measures led to a reduction in net loss by 59 % when compared with the period ending January 31st, 2003.

Subsequent Events

No significant events occurred after the period ended January 31st, 2004.

Financings, Principal Purposes and Milestones

No significant events occurred during the 3rd quarter ending January 31st, 2004.

Liquidity and Solvency

As at January 31st, 2004 the Company had a working capital position of \$ 916,642. 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 1.94 and 2.51 respectively.