CLEMEX

Annual Report 2002

the image **analysis** people

May 2001	June 2001	July 2001	August 2001
• Launched new micro-hardness tester MT-2001. • Made inroads in pathology market with sale to Université de Montréal. • Signed exclusive distribution agreement with Japanese partner.	• Made progress in defence sector - secured imaging system sales to Concurrent Technologies, Dirats Laboratories, and Pratt & Whitney.	• French cancer research institute mandated Clemex to build specialized imaging system. • Solidifed position in Aerospace industry with sales to Boeing and GE Aircraft Engines.	• Announced annual results. • Announced the sale of two imaging systems with total proceeds of over $ 100,000 CDN to Pfizer.
September 2001	**October 2001**	**November 2001**	**December 2001**
• Announced first quarter results. Realized an increase in net profit of 289%.	• Landed another upgrade system sale to Novartis AG and an existing system. • Sold a fully integrated image analysis system to the US Air Force Research Laboratory (Wright-Patterson AFB).	• GE purchased an additional turnkey image analysis system. • Clemex Posts Solid 2nd Quarter Net Profit of $ 216,346	• Sepracor selects Clemex imaging system to be used for drug research.
January 2002	**February 2002**	**March 2002**	**April 2002**
• Officially launched Robotic Image Analysis System - Clemex RoboScope C-2002.	• Released Clemex Captiva - Imaging software application targeting the low-end market.	• Released positive results for third consecutive quarter.	• Sold image analysis systems to Pfizer (Bend Research) and GlaxoSmithKline (2) - representing gross proceeds of $ 200,000 CDN.

Annual Meeting 2002

Clemex Technologies Inc. would like to invite shareholders to attend the 2002 annual meeting at 10:00 a.m. on Wednesday, October 9th, 2002. The meeting will take place at the Saint-James Club located at 1145 Union avenue, Montreal, Quebec, Canada.

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OUR MISSION

IS TO BE THE WORLDWIDE INDUSTRY LEADER

IN PROVIDING AUTOMATED SOLUTIONS

FOR QUANTITATIVE MICROSCOPY

1. What we do

AT A GLANCE...

To understand who Clemex is, imagine the number of mind-boggling applications that a microscope is used for. When it comes to researching a pharmaceutical, biological or metallurgical material, Clemex adds value and efficiency. We automate the inspection process by providing our customers with integrated image analysis systems that act as the "digital eyes" of microscopists.

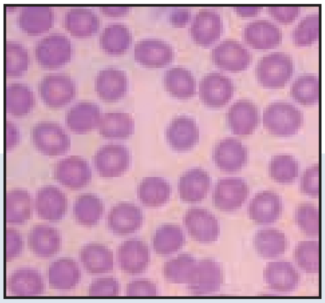
Typically, an image analysis system is comprised of a microscope, motorized microscope stage, digital camera, computer and specialized Clemex imaging software. With the use of our systems, laboratories are able to increase throughput, reduce costs, and improve the accuracy of statistical data. For example, in a pharmaceutical laboratory a standard routine may involve the counting of drug particles under a microscope. Our sophisticated yet user-friendly imaging systems automate the process, avoiding potential problems that might result if a human operator were to perform the procedure.

With an installed customer base of over 500 systems worldwide, we have cultivated a reputation for providing technologically advanced imaging solutions backed by excellent service, that help our clients stay ahead of the curve in their respective industries. Whether it is General Motors, General Electric, Boeing, Pfizer or Dofasco, they have come to rely on our expertise for over 10 years.

2. Applications

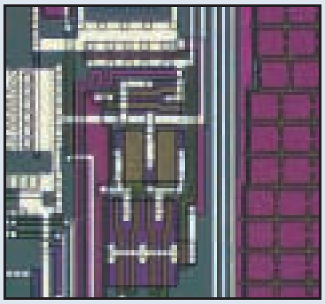
Pharmaceutical

Analysis of drug crystals.



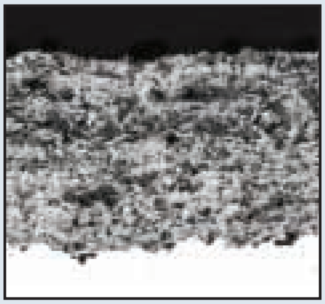
Biology

Counting of red blood cells.



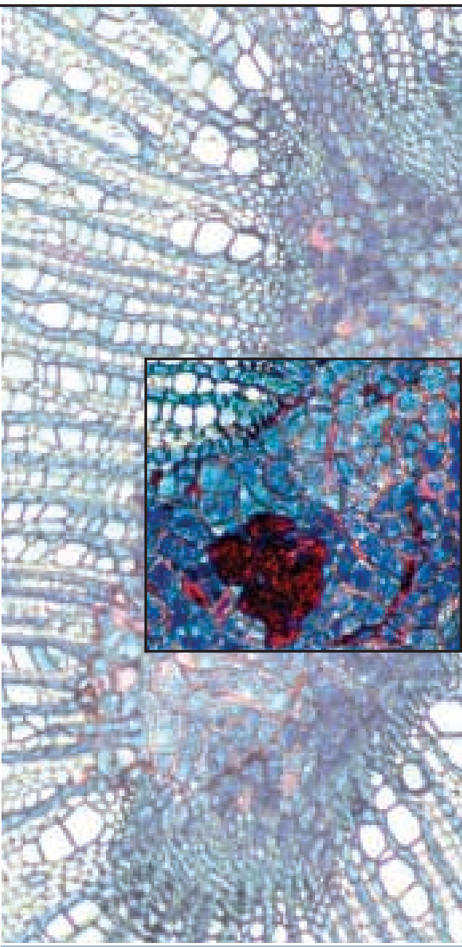
Electronics

Semi-conductor wafer inspection.



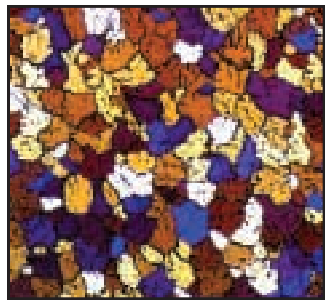
Aerospace

Inspection of thermal spray coating on aircraft engine parts.



Botany

Analysis of the microstructure of birch wood.



Metallurgy

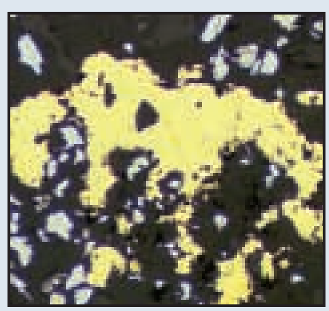
Measurement of dentrites in aluminum microstructure.

Defence

Evaluation of grain size in cartridge brass.

"I would recommend Clemex systems to potential image analysis users simply because it provides the best value for money and Clemex is committed to providing the best service to customers that I have seen in my last 20 years."

James C. Grande
Team Leader - Image Analysis
GE Corporate Research & Development
Materials Characterization Laboratory
Schenectady, NY

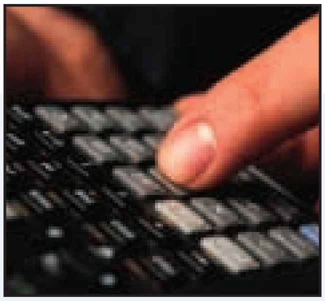


Minerals

Quantification of gold content in mineral sample.

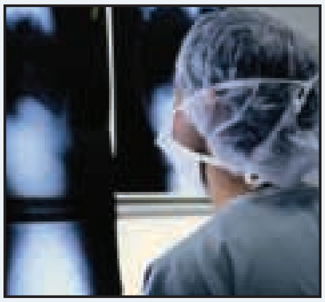
3. A Message to Our Shareholders

2001 marked the end of one of the longest economic expansions ever experienced. The so-called new business models preached by the infamous dot coms never materialized and severely undermined investor confidence. Then, the tragic events that took place on September 11th led to the war on terrorism.



In these trying times, Clemex pressed ahead and delivered a solid financial performance by sticking to the fundamentals. Moreover, the company demonstrated that in this challenging environment, we were able to launch new products and strategically position our company in key markets, ensuring future growth opportunities.

Although revenues dropped by 7.7 %, reaching $ 6.2 million, Clemex returned to profitability posting net earnings of $ 505,828 or $ 0.03 per share, compared to a net loss of $ 248,813 the previous year. Sales in Canada slightly decreased, while in the US an increase in revenues of 29% was achieved despite a slowing economy. Our team is not pleased of course, with our overall top line performance, which can be attributed to lower sales in Canada and to under performing distributors outside Canada and the US. The fact that we were able to realize a profit this year can be credited to management's foresight in making the right operational decisions in streamlining the business so as to adjust to an unsettled marketplace.



Breaking New Ground in Bio-Pharmaceuticals

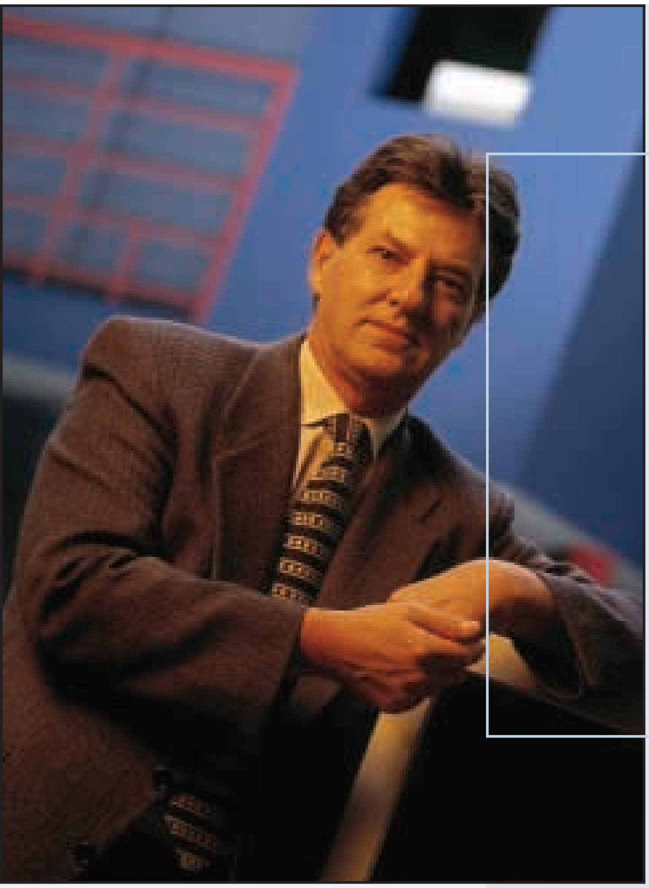
Historically, during our ten years in business, the marketing strategy has been to concentrate our efforts principally in serving quality control and research laboratories that perform tests on various metals and materials. Two years ago, Clemex set out to expand its market reach by implementing a diversification plan aimed at laboratories in the bio-medical and pharmaceutical fields. The groundwork was laid by attending various trade conferences, hiring a dedicated sales person, and increasing the advertising budget aimed at this market.

I am pleased to report that our team delivered. This past year we made major strides in this market, securing system sales to Pfizer, GlaxoSmithKline, Sepracor, Novartis, Université de Montréal (Faculty of Medicine, Department of Pathology and Cell Biology), and "Centre Alexis Vautrin - Université Henri Poincaré" (Vandoeuvre-Nancy, France). Based on a preliminary response from our customers in this sector, our sales team anticipates future sales within these organizations and other bio-pharmaceutical companies within the very short-term.

In addition, Dr. Jean-Marie Leclerc, Vice-President Medical Affairs at Novartis Pharma Canada Inc. was appointed to our Board of Directors. The company anticipates that Dr Leclerc's impressive background in the pharmaceutical area, as well as his wisdom and experience, will be a guiding force behind our expansionary plans for this market.

(This past year we made major strides in this market, securing system sales to Pfizer, GlaxoSmithKline, Sepracor, Novartis, Université de Montréal (Faculty of Medicine, Department of Pathology and Cell Biology), and "Centre Alexis Vautrin - Université Henri Poincaré" (Vandoeuvre-Nancy, France).)

Innovation = Progress



Clément Forget,
Chairman,
President and CEO

Since the company's inception, innovation has formed the cornerstone of our business philosophy. Technologically advanced imaging solutions are the principal reasons for which we are able effectively compete with larger competitors. This past year the tradition was preserved with the release of a few innovative products that will ensure our organization's prosperity for years to come.

In January of 2002, the Clemex RoboScope C-2002 image analysis system was officially unveiled. Mandated by a renowned French cancer research center - "Centre Alexis Vautrin - Université Henri Poincaré" (Vandoeuvre-Nancy, France), the system was designed to rapidly analyze cancer cells. A first of its kind, the unit integrates an image analysis system with a robotic arm used to automatically position microplates on a motorized microscope stage.

Also released this year was Clemex Captiva - a modular software application for laboratories that require limited imaging functionalities. Priced at the low-end of the spectrum, this product is a welcome addition to our impressive line of imaging products. Clemex Captiva, will play an instrumental role in opening new doors and act as a starting point for future upgrades which may involve more elaborate multi-component imaging systems. Furthermore, the release of Clemex Captiva is in line with our product development strategies first initiated in fiscal 2001, which called for a move toward more modular software oriented product solutions. The implementation of this strategy will improve our future margins.

Evaluating our expenditures, research and development expenses dropped by approximately 50%, reaching \$ 430,995 versus \$ 844,999 posted in fiscal 2001. This, however, does not represent our lack of commitment to the development of future generations of technologically advanced imaging systems. This year's drop can be attributed to two principal reasons; first, major development projects in fiscal 2001 were completed and second, our team suspended a cash intensive project feeling that the market timing was not appropriate.

An Upgrade Path Realized

In fiscal 2001-02, we started a massive upgrade initiative aimed at bringing our existing customers on board with the latest versions of our hardware and software. I am satisfied to report, we were successful in securing approximately half the planned upgrades, with notable system sales to General Electric, Dofasco, IBM, US Army, GM, Elco Textron, and Novartis. The Company anticipates additional upgrade sales within the first two quarters of 2003 and is in the midst of planning a new upgrade program of Clemex Vision software scheduled to be launched in the fourth quarter of next year.

Defending and Expanding our Core Markets

Four years ago we set out to expand our business by adding a synergistic product line encompassing specialized equipment and supplies for the sample preparation of metals and materials. As the exclusive agent in Canada for Struers A/S this past fiscal year, a leading market position was sustained, revenue goals were reached, and the company was recognized as one of Struers A/S's leading distribution partners.

However, in a surprising state of events, Roper Industries, Inc., an Atlanta-based manufacturer of high-performance digital imaging and spectroscopy instruments acquired Struers A/S in addition to Media Cybernetics - an image analysis software competitor. Given these precarious circumstances, in June of 2002, top management took pro-active measures by terminating its agreement with Struers A/S and signing a long-term distribution contract with ATM GmbH - a formidable Struers A/S competitor with headquarters in Germany. Unlike the agreement with Struers which was only valid for Canada, the new distribution contract with ATM covers all of North America, including the United States and Mexico.

As the exclusive distributor for the Canadian, US, and Mexican markets, I am very pleased with our understanding, as this opportunity will allow us to further expand our market presence south of the border. The execution strategy in the coming year will be geared toward the growing of our direct sales force, the introduction of a mobile laboratory, and an increase in marketing expenditures.

With a soon to be expanded distribution sales network, we are very confident that we will be able to double our image analysis system sales in the US within two years. Not a unrealistic goal, as the company was able to achieve the same objective only one year after taking on the Struers A/S agency for the Canadian market.

Our Number One Asset: Our People

The achievements we realized this past year could not have been accomplished without the commitment and dedication of the great team of people assembled in our company. From research to sales and marketing, to production, and to an ever so conscientious administrative support staff, we owe our gratitude to these individuals who come in day after day, and help us build our business. We also owe our appreciation to our Board of Directors that oversees our progress with diligence and foresight.

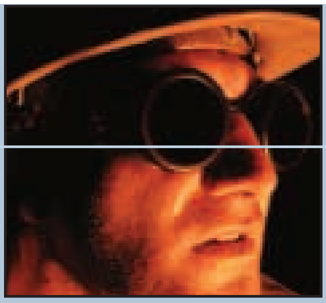
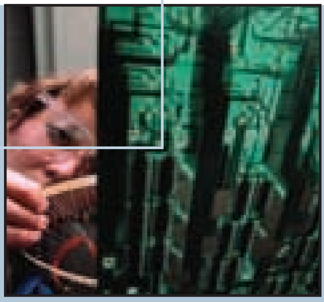
As the company continues its mission of becoming a worldwide leader in providing automated solutions for quantitative microscopy, our team anticipates a busy and exciting 2002-03. Revenue growth is expected to rebound as we continue to implement our aggressive sales plans in the bio-pharmaceutical market in addition to an expansion of our distribution business in the metallographic equipment and supplies market.

Although top line growth declined this past year, our organization made the right decisions to stick to the fundamentals and keep the business profitable. I look forward to report upon our continued progress in the coming year.

Sincerely,

Clément Forget
President, Chairman, & CEO

August 2002

4. Customers

AEROSPACE

Boeing
European Space Agency
GE Aircraft Engines
Lockheed Martin
NASA
Orenda Aerospace
Rolls Royce
Pratt & Whitney

AUTOMOTIVE

Briggs & Stratton
Camcar Textron
Caterpillar
DailmerChrysler
Delphi Automotive
Ford
General Motors
India Pistons
IP Rings
John Deere
Saturn
Siemens Diesel Systems
Toyota
TVS Suzuki

BIO-PHARMACEUTICALS

Biorthex
Dupont Pharmaceuticals
GlaxoSmithKline
Hoechst Marion Roussel
Hopital Notre-Dame
Hopital Ste-Justine
Novartis Pharmaceuticals
Pfizer
Sepracor

DEFENCE

Commission Energie Atomique (France)
Direction générale des Armées (France)
Knolls Atomic Power
US Air Force
US Army
US Navy

ELECTRONICS

ABB
AMP
Andrew Corp.
AT&T
IBM
Johnson Matthey
Lucent Technologies
Mitel S.C.C
Orthodyne Electronics
PC World Circuits
Philips

GENERAL MANUFACTURING

BASF
BNSF
Black & Decker
Bodycote
Cascades
Climax Research
Corning
Danone
Emerson
General Electric
Hughes MPD
Masco Tech.
McGill Manufacturing
UOP
Owens Corning
Westcast Industries

PRIMARY MATERIALS MANUFACTURING

ABI
Aciers Inoxydables Atlas
Alcan
Alcoa
Algoma Steel
Alunorf
Bethlehem Steel
Birmingham Steel
Chaparral Steel
Charter Steel
Dofasco
Duralcan Canada
Fonderies de Châteauroux
Hoeganaes
Homogeneous Metals
Indian Aluminum Company
Infasco
Intalco Aluminum
North Star Steel
Nucor Steel
KB Alloys
Koppell Steel
Kubota Metal
Macsteel
Matériaux de haute technologie Noranda
QIT Fer & Titane
QMP Poudres Métalliques
Reynolds
Sidbec Dosco
Sollac Ledepp
Stelco
Wheeland Foundry
Worthington Steel
ZF do Brasil S/A

RESEARCH CENTERS

Battelle Pacific Northwest Lab.
Burapa University
Carpenter Technology
Concordia University
Ecole Polytechnique de Montréal
Erasmus University
GE Corporate Research
Hydro Québec (IREQ)
Indian Institute of Technology
James Madison University
Los Alamos National Laboratory
Michigan Tech University
Sandia National Labs
Shell Research
Universidad de Coahuila
Universidad de Sao Paulo
Université du Québec
Université Laval
Université McGill
Université de Valenciennes

and more...

Overview

Clemex Technologies Inc. ("Clemex" or "the Company") develops, manufactures and markets image analysis systems and software used by quality control and research laboratories for microscopy applications. The Company is also involved in the distribution of products developed by other companies under the terms of formal agreements. Clemex's customer base spans the globe and encompasses large manufacturing concerns in various industrial sectors including automotive, aerospace, raw materials manufacturing and pharmaceuticals. Clemex products are also used in medical research.

The Company's notable accomplishments during the 2001-02 fiscal year include:

- Achieving net earnings of $505,828, or $0.03 per share, compared to a net loss in the previous fiscal year of $248,813, or $0.01 per share.
- Establishing itself firmly in the pharmaceutical and biomedical sectors, with the sale of numerous systems to top pharmaceutical firms and medical research laboratories.
- Shifting its geographic sales mix, with a greater emphasis on the United States market, and taking new moves to bolster its U.S. presence.
- Launching its robotic image analysis system and its Captiva digital solution aimed at broadening market coverage.
- Conducting upgrades of older systems in use by clients.
- Signing agreements for distribution by ABBE Science Company of Clemex products in Japan.

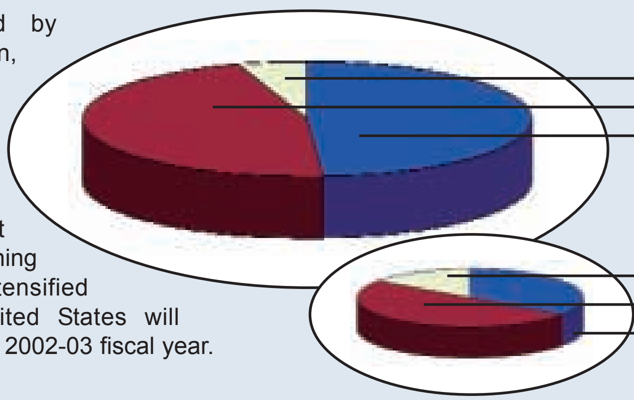
Results of operations

The following are summarized results of operations:

	Year Ended April 30th, 2002	Year Ended April 30th, 2001
Sales	**$ 6,160,583**	$ 6,672,357
Gross Profit	**3,444,096**	3,398,008
Administrative& commercial expenses	**(2,257,754)**	(2,536,194)
R&D expenses net of tax credits	**(430,995)**	(844,999)
Non-operating expenses	**(249,519)**	(265,628)
Net earning (net loss)	**505,828**	(248,813)

Revenue

Although revenues dropped by 7.7 %, reaching $ 6.2 million, Clemex returned to profitability posting net earnings of $ 505,828 or $ 0.03 per share, compared to a net loss of $ 248,813 the previous year. Management expects that economic recovery, a broadening of the client base and intensified marketing efforts in the United States will produce higher revenues in the 2002-03 fiscal year.



Sales by Region

2002

Others	5%
Canada	46%
USA	49%

2001

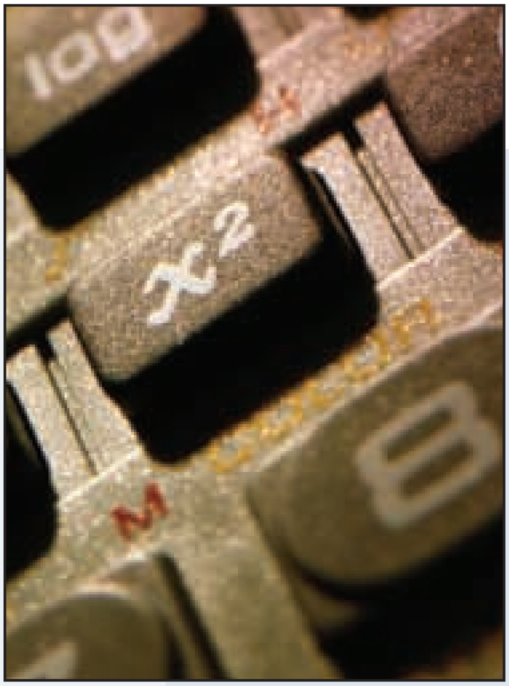
Others	15%
Canada	50%
USA	35%

Gross Profit

Gross profit rose slightly from $3,398,008 in the 2000-01 fiscal year to $3,444,096 in the 2001-02 fiscal year. Sales to major new clients and the launch of two new products allowed to overcome general economic weakness. Management expects that a continued broadening of the client base will help improve gross profit in the 2002-03 fiscal year.

Operating Expenses

Commercial and administrative spending was reduced substantially in the 2001-02 fiscal year as a result of measures that included staff layoffs carried out during the previous fiscal year. These layoffs, also affecting research and development functions, came in response to revenue figures that were lower than anticipated.



Research and Development

R&D spending, minus applicable tax credits, stood at $430,995 in the 2001-02 fiscal year, down 49% from a year earlier. This year's drop can be attributed to two principal reasons; first, major development projects in fiscal 2001 were completed and second, the Company suspended a cash intensive project feeling that the market timing was not appropriate. Nevertheless, continued research efforts were put forth toward the next generation of image analysis systems, with an emphasis on biopharmaceutical applications.

Liquidity and Capital Resources

As at April 30, 2002, the Company had working capital of $1,203,356 compared to $757,420 at April 30, 2001. The working capital ratio was 2.16 : 1 at the end of the 2001-02 fiscal year compared to 1.54 : 1 a year earlier, while the quick ratio stood at 1.33 : 1 compared to 0.92 : 1.

Largely reflecting the growth in earnings, cash flow from operating activities amounted to $713,899, up from a deficit of $453,543 the previous fiscal year. Total cash and cash equivalents at April 30, 2002, stood at $13,295, down from $27,685 a year ago. However, tight management of inventories, which slightly decreased to $865,616 from $899,681 at the end of the previous fiscal year, helped maintain the cash available for investment in 2001-02.

Total liabilities stood at $1,196,541 at April 30, 2002, compared to $2,026,500 at the end of the previous year. This 41% drop mainly resulted from a $647,795 reduction in bank loans to $41,926, as well as a $125,767 decrease in accounts payable to $710,826 as a result of lower sales and a more rigorous management of supplies and inventories. During the last fiscal year, the Company had at its disposal a credit line of $1,000,000 bearing interest at prime rate plus 1%, of which $980,000 was unused at April 30, 2002.

Risks and Uncertainties

The Company's success depends on its ability to enhance existing products and to introduce new products and features to meet changing customer requirements; the Company's research and development staff often uses beta hardware and software to ensure that it will remain ahead of its competitors.

Protection in the form of patents is generally not available for software products such as those produced by the Company. There can be no assurance that the Company's means of protecting its proprietary rights will be adequate or that the Company's competitors will not independently develop similar technology, however the Company does take whatever steps it can to protect itself.

The Company is highly dependant on principal members of its management staff as well as its advisors and collaborators, the loss of whose services might impede the achievement of development objectives; however, this risk is considered to be minimal as the majority of shares are held by employees.

The risk of bad debt, although present, is not high, as the majority of the Company's clients are Fortune 1000 corporations.

Dividends

The Company did not pay any dividends on its common shares during the 2001-02 fiscal year and does not plan to do so in the near future, preferring to retain its cash to finance growth.

6. Management's Report

The accompanying consolidated financial statements of Clemex Technologies Inc. are the responsibility of the management and have been approved by the Board of Directors of Clemex Technologies Inc.

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. They include some amounts that are based on estimates and judgements. The financial information contained elsewhere in the annual report is consistent with that in the financial statements.

To ensure the accuracy and objectivity of the information contained in the financial statements, Clemex management maintains systems of internal accounting controls. Management believes these systems give a reasonable degree of assurance that the financial documents are reliable and provide adequate basis for the financial statements, and that the Company's assets are properly accounted for and safeguarded.

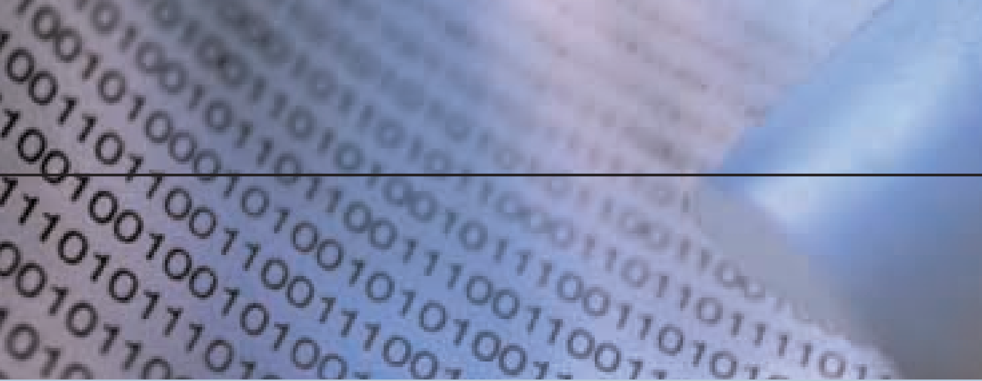
The Board of Directors carries out its responsibility for the financial statements in this annual report. The Board reviews the Company's annual financial statements as well as the management's analysis and the operating results and recommend their approval by the Board.

These financial statements have been examined by the auditors appointed by the shareholders, KPMG LLP, chartered accountants, and their report is presented hereafter.

Clément Forget
Chairman, President & CEO

Sylvain Laroche
Director, Vice-President Research & Development

Longueuil, Canada
July 5, 2002



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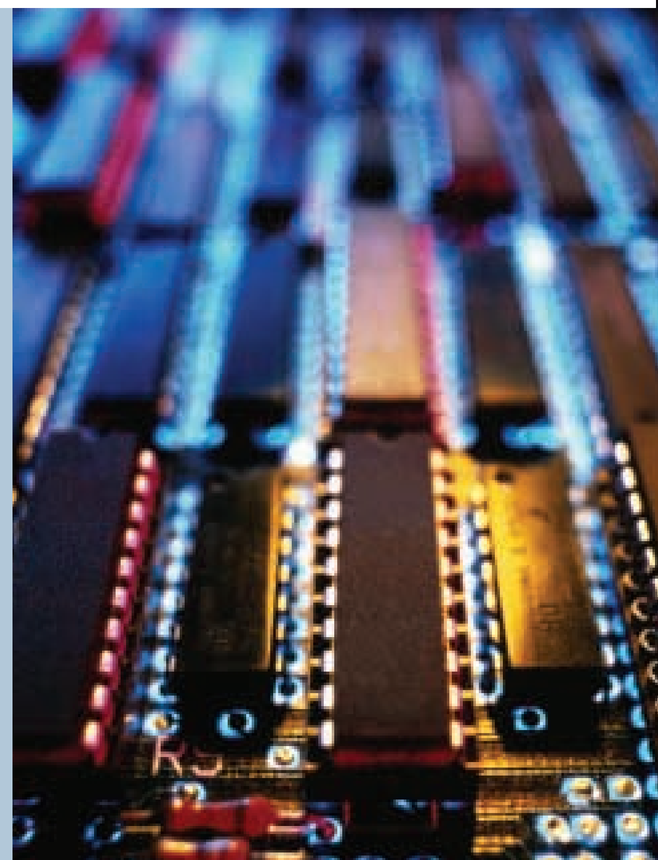

KPMG

To the Shareholders of Clemex Technologies Inc.

We have audited the consolidated balance sheets of Clemex Technologies Inc. as at April 30, 2002 and 2001 and the consolidated statements of earnings and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at April 30, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Montréal, Canada
July 5, 2002

8. Consolidated Balance Sheets

Years ended April 30, 2002 and 2001

	2002	2001
Assets		
Current assets:		
Cash and cash equivalents	**$ 13,295**	$ 27,685
Accounts receivable (note 3)	**1,184,190**	1,172,021
Research and development tax credits receivable	**142,816**	320,794
Inventories	**865,616**	899,681
Prepaid expenses	**30,597**	13,239
	2,236,514	2,433,420
Capital assets (note 4)	**412,557**	533,953
Intangible assets	**7,585**	11,485
Future income taxes (note 13)	**355,601**	355,601
	$ 3,012,257	$ 3,334,459
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness (note 5)	**$ 41,926**	$ 689,721
Accounts payable and accrued liabilities (note 6)	**710,826**	836,593
Current portion of long-term debt (note 7)	**280,406**	149,686
	1,033,158	1,676,000
Long-term debt (note 7)	**163,383**	350,500
Shareholders' equity:		
Share capital (note 8)	**4,186,358**	4,184,429
Deficit	**(2,370,642)**	(2,876,470)
	1 815 716	1,307,959
Commitments (note 14)		
	$ 3,012,257	$ 3,334,459

See accompanying notes to consolidated financial statements.

On behalf of the Board:

_________________________ Director

Clement Forget,
Chairman, President and CEO

_________________________ Director

Sylvain Laroche,
Vice-president, R&D

9. Consolidated Statements of Income and Deficit

Years ended April 30, 2002 and 2001

	2002	2001
Sales	**$ 6,160,583**	$ 6,672,357
Cost of sales	**2,716,487**	3,274,349
Gross profit	**3,444,096**	3,398,008
Operating expenses:		
Commercial	**1,589,854**	1,760,709
Administrative	**667,900**	775,485
Research and development, net of tax credits (note 10)	**430,995**	844,999
Depreciation (note 11)	**152,416**	153,992
Financial (note 12)	**97,103**	111,636
	2,938,268	3,646,821
Net earnings (loss)	**505,828**	(248,813)
Deficit, beginning of year	**(2,876,470)**	(2,627,657)
Deficit, end of year	**$ (2,370,642)**	$ (2,876,470)
Net earnings (loss) per share:		
Basic	**$ 0.03**	$ (0.01)
Diluted	**0.03**	(0.01)
Weighted average number of shares outstanding	**18,543,560**	18,480,274
Dilutive effect of stock options	**35,202**	- (1)
Diluted weighted average number of shares	**18,578,762**	18,480,274

See accompanying notes to consolidated financial statements.

(1) For the year ended April 30, 2001, stock options and warrants were outstanding but are not included in the computation of diluted loss per share because their effect would be anti-dilutive.

10. Consolidated Statements of Cash Flows

Years ended April 30, 2002 and 2001

	2002	2001
Cash flows from operating activities:		
Net earnings (loss)	**$ 505,828**	$ (248,813)
Adjustments for:		
Depreciation (note 11)	**152,416**	153,992
Gain on disposal of capital assets	**(1,094)**	(31,589)
	657,150	(126,410)
Net change in non-cash operating assets and liabilities (note 17)	**56,749**	(327,133)
Cash flows provided (used) by operating activities	**713,899**	(453,543)
Cash flows from financing activities:		
Net change in bank indebtedness	**(647,795)**	689,721
Collection of note receivable from an officer and employees	**1,929**	(36,429)
Issuance of long-term debt	**89,900**	80,000
Reimbursement of principal of long-term debt	**(146,297)**	(327,057)
Issuance of Class A shares	**-**	63,522
Cash flows (used) provided by financing activities	**(702,263)**	469,757
Cash flows from investing activities:		
Purchase of capital assets	**(120,450)**	(214,735)
Proceeds from disposal of capital assets	**94,424**	50,875
Cash flows used by investing activities	**(26,026)**	(163,860)
Net decrease in cash and cash equivalents	**(14,390)**	(147,646)
Cash and cash equivalents, beginning of year	**27,685**	175,331
Cash and cash equivalents, end of year	**$ 13,295**	$ 27,685

See accompanying notes to consolidated financial statements.

Years ended April 30, 2002 and 2001

The Corporation, incorporated under the Canada Business Corporations Act on October 22, 1990, is specialized in the research and development and sale of image analysis systems. On April 2, 1998, the Corporation became a public corporation.

1. Significant accounting policies:

a) Principles of consolidation:

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiary, Clemex Corp., based in the United States.

b) Cash and cash equivalents:

Cash and cash equivalents include temporary investments with a maturity date of three months or less, and are stated at cost, which approximates market value.

c) Inventories:

Inventories are valued at the lower of cost and net realizable value. Cost is determined by the first-in first-out method.

d) Capital assets:

Capital assets are recorded at cost less related investment tax credits. The Corporation provides for depreciation and amortization of the capital assets based on the following annual rates and methods:

Asset	Method	Rate/period
Research and development equipment	Declining balance	30 %
Equipment	Declining balance	30 %
Furniture and fixtures	Declining balance	20 %
Computer equipment	Declining balance	30 %
Leasehold improvements	Straight-line	5 years

Capital assets under capital lease are depreciated using the same methods and rates as above.

e) Intangible assets:

Intangible assets are recorded at cost and are amortized on a straight-line basis over a period of 5 years.

f) Revenue recognition:

Revenue from product sales are recognized when persuasive evidence of an arrangement exists, delivery has occurred, price is fixed or determinable, collection of the resulting receivable is deemed probable and no other significant vendor obligations exist.

1. Significant accounting policies (continued):

g) Research and development costs:

Research and development costs are expensed as incurred. Related government grants and tax incentives are recorded as a reduction of expenditures in the period when reasonable assurance of realization is obtained.

h) Research and development tax credits:

Research and development tax credits are recorded using the deferral method. Under this method, tax credits related to eligible expenses are charged against the related costs in the period during which the expenses are incurred or the capital asset is acquired, provided there is a reasonable assurance that they will be realized.

i) Income taxes:

The Corporation uses the asset and liability method of accounting for income taxes. Under this method, future income taxes are recognized for the future tax consequences attributable to differences between the financial statement carrying values and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacred tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is included in income in the period that includes the enactment or substantively enactment date.

j) Translation of foreign currency:

The subsidiary is considered to be an integrated foreign operation; accordingly, its accounts are translated using the temporal method. Under this method, all monetary assets and liabilities are translated at the year-end exchange rate and non-monetary assets and liabilities are translated at the exchange rate at the date of transaction. Revenue and expenses are translated at the average exchange rate for the year, except for depreciation of capital assets which is translated at the historical date the asset was purchased. Translation gains and losses are recognized as revenue or expenses.

Assets and liabilities denominated in foreign currencies are translated at rates of exchange in effect at the balance sheet date. Gains or losses during the period are included in net loss. Translation of foreign currency transactions in the statement of income is recorded at the monthly average rate of exchange in effect in each period.

k) Stock option plan:

The Corporation has a stock option plan, which is described in note 9. No compensation expense is recognized for this plan when stock options are issued to directors, officers, employees and consultants. Any consideration paid by directors, officers, employees and consultants on exercise of stock options is credited to share capital.

l) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Significant areas requiring the use of estimates relate to the assessment of the useful lives of capital assets and assessing their net realizable values. The valuation of research and development tax credits also requires the use of estimates and assumptions. The receipt of these credits is dependent on the taxation authorities' review and acceptance of the eligibility of expenditures. Consequently, actual results could differ from those estimates.

2. Change in accounting policy:

Earnings per share:

In May 2001, the Corporation has adopted retroactively the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") dealing with earnings per share. These new recommendations of the *CICA Handbook* require the disclosure of the calculation of basic and diluted earnings per share and the use of the treasury stock method for calculating the dilutive impact of stock options outstanding. The Company has restated the dilutive earnings per share for the comparative period. The adoption of these new recommendations did not have a significant impact on diluted earnings per share.

3. Accounts receivable:

	2002	2001
Trade receivables	**$ 1,167,770**	$ 1,119,812
Sales tax receivable	**10,753**	6,162
Other	**5,667**	46,047
	$ 1,184,190	$ 1,172,021

4. Capital assets:

			2002
	Cost	**Accumulated depreciation**	**Net book value**
Research and development equipment	**$ 654,956**	**$ 478,933**	**$ 176,023**
Equipment	**201,503**	**118,370**	**83,133**
Furniture and fixtures	**199,192**	**133,110**	**66,082**
Computer equipment	**124,437**	**64,409**	**60,028**
Leasehold improvements	**223,388**	**196,097**	**27,291**
	$ 1,403,476	**$ 990,919**	**$ 412,557**

4. Capital assets (continued):

2001	Cost	Accumulated depreciation	Net book value
Research and development equipment	$ 760,435	$ 576,643	$ 183,792
Equipment	151,506	59,280	92,226
Furniture and fixtures	193,868	117,365	76,503
Computer equipment	139,840	56,657	83,183
Leasehold improvements	217,781	180,676	37,105
Assets under capital leases:			
Research and development equipment	77,242	43,081	34,161
Equipment	64,786	37,803	26,983
	$ 1,605,458	$ 1,071,505	$ 533,953

5. Bank indebtedness:

	2002	2001
Bank overdraft	**$ 21,926**	$ 64,721
Bank loan	**20,000**	625,000
	$ 41,926	$ 689,721

The Corporation has at its disposal a revolving operating line of credit of $1,000,000. This credit bears interest at bank prime rate plus 1% and is secured by a first rank moveable hypothec of $1,325,000 on the universality of accounts receivable and tax credits and by assignment of inventories under Section 427 of the Bank Act. Borrowings under this credit are limited to eligible accounts receivable and inventories.

Under the loan agreement, the Corporation must comply with several restrictive covenants, which require to respect financial covenants.

The loan agreement is negotiable annually.

6. Accounts payable and accrued liabilities:

	2002	2001
Trade accounts payable	**$ 445,495**	$ 479,828
Accrued liabilities	**265,331**	356,765
	$ 710,826	$ 836,593

7. Long-term debt:

	2002	2001
Loan from Investissement-Québec, at prime rate, payable by annual instalments of 25% of cash flows generated by the Corporation. In addition, a premium is payable based on a formula as specified in the loan agreement up to a maximum of $10,000 annually.	**$ 250,388**	$ 250,388
Term loan of a credit facility, with a maximum of $200,000, at prime rate plus 1.5%, payable by monthly instalments varying between $2,497 and $5,556, depending on the amount of credit facility, plus interest, secured by a first rank mortgage on equipment with a net book value of $84,913, due in April 2005	**89,900**	-
Term loan, prime rate plus 1.5%, payable by monthly instalments of $2,222 plus interest, secured by a first rank mortgage on equipment with a net book value of $34,031, due in November 2003	**42,226**	68,890
Term loan, prime rate plus 1.5%, payable by monthly instalments of $3,389 plus interest, secured by a first rank mortgage on equipment with a net book value of $42,330, due in March 2003	**37,275**	77,943
Small business loan, secured by chattel mortgage on equipment and leasehold improvements, prime rate plus 1.25%, payable by monthly instalments of $2,000 plus interest, due in April 2003	**24,000**	48,000
Obligations under capital leases, reimbursed during the year	-	49,790
Small business loan, reimbursed during the year	-	5,175
	443,789	500,186
Current portion of long-term debt	**280,406**	149,686
	$ 163,383	$ 350,500

Reimbursements of long-term debt in each of the three following years are as follows:

2003	$ 280,406
2004	133,416
2005	29,967
	$ 443,789

8. Share capital:

Authorized:

Unlimited number of Class A shares, voting, participating, without par value

	2002	2001
Issued:		
18,543,560 Class A shares	**$ 4,220,858**	$ 4,220,858
Note receivable from an officer and employees	**(34,500)**	(36,429)
	$ 4,186,358	$ 4,184,429

Transactions in 2001:

During the year 2001, the Corporation issued 211,739 Class A shares pursuant to the exercise of options for total proceeds of $63,522.

In addition, 500,000 warrants giving rights to buy 500,000 Class A shares at a cost of $0.75 per share expired during the year.

9. Stock option plan:

Under its stock option plan (the "Plan") established on June 30, 1997, the Corporation may grant options to directors, officers, employees and consultants. The Plan contemplates a maximum of 10% of the issued and outstanding Class A shares which may be available under the stock option plan.

Changes in the number of outstanding options related to the stock option plan and options issued at the initial public offering in April 1998 were as follows:

	2002		2001	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Options outstanding, beginning of year	**1,480,379**	**$ 0.46**	1,168,618	$ 0.37
Options granted	**314,100**	**0.23**	531,500	0.59
Options exercised	**-**	**-**	(211,739)	0.30
Options cancelled	**(255,168)**	**0.35**	(8,000)	0.60
Options outstanding, end of year	**1,539,311**	**$ 0.43**	1,480,379	$ 0.46

9. Stock option plan (continued):

The following table summarizes information about stock options outstanding at April 30, 2002:

	Options outstanding		Options exercisable	
Exercise price	Number outstanding	Weighted average remaining contractual life (years)	Number exercisable	Weighted average exercise price
$ 0.22	245,100	4.52	-	$ -
$ 0.23	40,000	4.45	40,000	$ 0.23
$ 0.30	470,211	0.37	470,211	$ 0.30
$ 0.32	29,000	4.77	9,000	$ 0.32
$ 0.52	50,000	3.62	50,000	$ 0.52
$ 0.60	705,000	2.17	561,500	$ 0.60

10. Research and development costs:

	2002	2001
Research and development costs	**$ 702,969**	$ 1,292,011
Research and development tax credits	**(271,974)**	(447,012)
	$ 430,995	$ 844,999

11. Depreciation:

	2002	2001
Capital assets	**$ 148,516**	$ 150,092
Intangible assets	**3,900**	3,900
	$ 152,416	$ 153,992

12. Financial expenses:

	2002	2001
Interest and bank charges	**$ 63,192**	$ 57,811
Interest on long-term debt	**37,128**	56,805
Interest on obligations under capital leases	**1,988**	5,723
Interest income	**(5,205)**	(8,703)
	$ 97,103	$ 111,636

13. Income taxes:

The income tax provision differs from the amounts computed by applying the combined federal and provincial income tax rate to earnings (loss) before income taxes. Explanations and fiscal impacts of this difference are as follows:

	2002	2001
Earnings (loss) before income taxes	**$ 505,828**	$ (248,813)
Combined federal and provincial statutory income tax rate	**36.5%**	37.3%
Expected income tax recovery	**184,627**	(92,807)
Reduction of future taxes resulting from reduction of the statutory income tax rate	**22,893**	25,610
Impact of different tax rate from subsidiary	**666**	4,304
Research and development tax credits	**(58,409)**	(257,425)
Change in valuation allowance	**(95,658)**	319,482
Non-deductible items and others	**(54,119)**	836
Income taxes	**$ –**	$ –

The income tax effect of temporary differences that give rise to future tax assets and liabilities is as follows:

	2002	2001
Future tax assets:		
Difference between carrying value and tax value of research and development expenses	**$ 1,003,659**	$ 1,148,213
Research and development tax credits carry forward	**733,102**	674,693
Operating losses from US subsidiary carry forward	**165,625**	171,368
Financial expenses	**2,920**	44,500
Contingency liability	**–**	9,318
	1,905,306	2,048,092
Valuation allowance	**(1,319,534)**	(1,415,192)
	585,772	632,900
Future tax liabilities:		
Difference between carrying value and tax value of capital assets and intangible assets	**58,652**	78,091
Intercompany tax liability unrecognized	**171,519**	199,208
Net future tax assets	**$ 355,601**	$ 355,601

13. Income taxes (continued):

The Corporation has research and development expenditures in Canada available to reduce taxable income in the future. These expenditures are as follows:

	2002	2001
Federal	**$ 2,214,621**	$ 2,639,079
Provincial	**4,374,662**	4,438,300

The Corporation's US subsidiary has loss carry forwards available to reduce taxable income in the future which expire as follows:

	Canadian dollars	US dollars
Loss carry forward expiring in:		
2019	$ 464,874	$ 296,381
2020	197,565	125,958
2021	37,266	23,759
2022	5,082	3,240
	$ 704,787	$ 449,338

The Corporation also has income tax credits that can be used to reduce federal taxes payable in the future:

Deductible income tax credits expiring in :

2005	$ 27,538
2006	14,851
2007	10,809
2008	189,194
2009	198,742
2010	235,110
2011	255,714
2012	156,745
	$ 1,088,703

14. Commitments:

As at April 30, 2002, minimum lease payments under operating leases relating to premises and other items for each of the next four years are as follows:

2003	$ 55,762
2004	51,234
2005	49,058
2006	7,824

15. Financial instruments:

a) Fair value of financial instruments:

The fair value of cash and cash equivalents, accounts receivable, bank indebtedness and accounts payable and accrued liabilities approximates their book value due to the relatively short periods to maturity of the instruments. The fair value of long-term debt included in the financial statements approximates its carrying value since interest rates on long-term debt are at market value.

b) Risks related to foreign operations and foreign exchange risk management:

International sales represented 54% and 50% of total sales in 2002 and 2001, respectively. In general terms, international sales are conducted in US dollars and any increase in the value of the Canadian dollar may result in the Corporation's products being less competitive in the foreign markets. The Corporation also realized 51 % of its purchases in foreign currencies in 2002 and 2001.

c) Credit risk management:

In the normal course of business, the Corporation regularly monitors the financial condition of its customers and the credit history of all new customers. The Corporation establishes an allowance for doubtful accounts based on specific uncollectible accounts, historical tendencies and other economic information.

16. Segmented information:

a) Geographic information:

The Corporation operates in one business segment only, namely the sale of image analysis software and other equipment used in the analysis of materials.

Geographic sales are as follows:

	2002	2001
United States of America	**$ 3,011,048**	$ 2,337,323
Canada	**2,822,567**	3,328,995
International	**326,968**	1,006,039
	$ 6,160,583	$ 6,672,357

Sales are attributed to geographic locations based on the location of the customer.

b) Information about major customers:

No customer represented more than 10% of total sales for 2002 and 2001.

17. Supplemental cash flow disclosure:

	2002	2001
Operating activities:		
Net change in non-cash operating assets and liabilities:		
Accounts receivable	**$ (12,169)**	$ 186,497
Research and development tax credits receivable	**177,978**	(64,682)
Inventories	**34,065**	(318,456)
Prepaid expenses	**(17,358)**	36,974
Accounts payable and accrued liabilities	**(125,767)**	(118,608)
Customer deposits	**–**	(48,858)
	$ 56,749	$ (327,133)

	2002	2001
Interest paid	**$ 102,516**	$ 97,135

18. Comparative figures:

Certain of the 2001 comparative figures have been reclassified to conform with the basis of presentation adopted in the current year.

12. Corporate Information

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CIBC Mellon Trust
Montreal, QC

Auditors
KPMG LLP
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 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, Research & Development
Clemex Technologies Inc.

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

Pierre Coutou
Consultant
Innovatech du Grand Montréal

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

Yvan Landry
Portfolio Manager
Fonds de Solidarité des Travailleurs du Québec

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
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