

Corporate information

Headquarters

Clemex Technologies Inc.
800 Guimond, Longueuil, Quebec
J4G 1T5 Canada
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info@clemex.com
www.clemex.com

Subsidiary

Clemex Corp
5965-A Wilcox Place, Dublin, OH
43016-6788 USA

Transfer Agent

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 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.

Pierre Coutou
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.

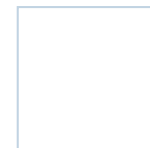
Sylvain Laroche
Vice-President, R&D
Clemex Technologies Inc.

CLEMEX

the image **analysis** people

Quarterly Report

2003



Message to Shareholders

Sales for the quarter declined from \$ 1.52 million to \$ 1.17 million when compared to the same period of last year. Bottom line figures were subsequently affected resulting in a net loss of \$ 220,812 versus a profit of \$ 122,536 posted in the fiscal first quarter of 2001-2002. Gross margins decreased to 46%, explained by an increase in hardware equipment sales with less sales of the more profitable software products.



Although we are not satisfied with our numbers, a key business decision was made that I am confident will play an instrumental role in the future development of our organization. In June, the Company signed a long-term contract with ATM GmbH - a well-established Struers A/S competitor in metallographic equipment and terminated its distribution agreement for Canada with Struers A/S. With an exclusive agreement on the Canadian market (commencing October 1st, 2002), and rights for US and Mexican markets, this deal will allow us to aggressively expand our reach south of the border. In Canada, when Clemex represented Struers A/S, we were able to increase our image analysis sales by 300 % over a period of four years. Now, with a larger territory and a similar product line, we envision strong growth for our imaging products (which account for \$ 3 million in sales for the US market) as we continue to grow our business.

This major milestone was one of the principal reasons for which we did not attain our objectives this past quarter. Some of our key sales representatives dedicated significant time to putting in place an infrastructure necessary for the launch of this new initiative. Part of their responsibilities included the recruitment of additional representatives for the US territory and all activities related to the sourcing of a complete metallographic consumables product line.

Although Canadian sales slightly increased, US revenues declined due to a reduction of capital expenditures in the manufacturing sector. Nevertheless, we believe these events to be temporary and anticipate the market to rebound 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 the 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, 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 July 31, 2002, 1,358,148 options granted to acquire common shares of the Corporation at prices ranging from \$0.20 to \$0.60 were outstanding. During the period ending July 31, 2002, 405,163 options expired and 224,000 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 Sheet

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

	July 31 st 2002	April 30 th 2002
	(unaudited)	(audited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 11,567	\$ 13,295
Accounts receivable	954,415	1,184,190
Research & development tax credits receivable	194,672	142,816
Inventories	846,027	865,616
Prepaid expenses	50,811	30,597
	2,057,492	2,236,514
Capital assets	443,262	412,557
Intangible assets	6,610	7,585
Future income taxes	355,601	355,601
	\$ 2,862,965	\$ 3,012,257
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	\$ 222,294	\$ 41,926
Accounts payable and accrued liabilities	596,361	710,826
Current portion of long-term debt	273,722	280,406
	1,092,377	1,033,158
Long-term debt	175,684	163,383
Shareholders' equity:		
Share capital	4 186,358	4,186,358
Deficit	(2,591,454)	(2,370,642)
	1,594,904	1,815,716
	\$ 2,862,965	\$ 3,012,257

See accompanying notes to consolidated financial statements.

Consolidated Statement of Operations

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

	2002	2001
Sales	\$ 1,166,434	\$1,515,729
Cost of sales	630,377	656,133
Gross Profit	536,057	859,596
Expenses:		
Commercial	389,327	359,924
Administrative	190,041	157,523
Research and development, net of tax credits	130,052	149,601
Depreciation	31,187	40,685
Financial	16,262	29,327
	756,869	737,060
Net earnings (net loss)	(220,812)	122,536
Deficit, beginning of year	(2,370,642)	(2,876,470)
Deficit, end of year	(2,591,454)	(2,753,934)
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 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 July 31st 2002 (unaudited)

	2002	2001
Cash flow from operating activities:		
Net earnings (net loss)	\$ (220,812)	\$ 122,536
Adjustments for:		
Depreciation	31,187	40,685
Gain on disposal of capital assets	(26)	(2,400)
	(189,651)	160,821
Net change in non-cash operating assets and liabilities	62,829	(120,964)
Cash flow (used) provided by operating activities	(126,822)	39,857
Cash flow from financing activities:		
Net change in bank indebtedness	180,368	3,149
Issuance of long-term debt	28,450	-
Reimbursement of principal of long-term debt	(22,833)	(42,955)
Cash flow provided (used) by financing activities	185,985	(39,806)
Cash flow from investing activities:		
Purchase of capital assets	(62,211)	(35,770)
Proceeds from disposal of capital assets	1,320	16,187
Cash flow used by investing activities	(60,891)	(19,532)
Net decrease in cash and cash equivalents	(1,728)	(19,583)
Cash and cash equivalents, beginning of year	13,295	27,685
Cash and cash equivalents, end of year	\$ 11,567	\$ 8,153

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 specimen preparation of solid metals and materials, representing exclusively in Canada, the US, and Mexico the German-manufactured ATM product line.

Clemex's customer base spans the globe 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 2003 included:

- Signing an exclusive distribution agreement with ATM GmbH covering the Canadian, US and Mexican territories, recruiting additional representatives in the US and putting in place an administrative infrastructure needed to accommodate an expanded territory.
- Terminating its distribution contract for Canada with Struers A/S.

Discussion of Operations and Financial Condition

During the first quarter ended July 31st, 2002, the Company generated sales of \$ 1.17 million versus \$ 1.52 million for the same period of last year. Falling short of management's expectations, the Company believes that sales declined as a result of a reduction of capital expenditures in the manufacturing sector, particularly in the US market. Gross margins declined to 46% due to an increase in less profitable hardware sales versus lower software-based product sales.

When looking at the same quarter of last year, overall expenses slightly increased by \$ 19,809. The Company posted a net loss of \$ 220,812 versus net earnings of \$ 122,536 for the same period of last year.

Subsequent Events

No significant events occurred after the period ended July 31st, 2002.

Financings, Principal Purposes and Milestones

No significant events occurred during the fiscal 1st quarter 2003.

Liquidity and Solvency

As at July 31st, 2002, the Company had a working capital position of \$ 965,115. 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 1.88 and 1.06 respectively.