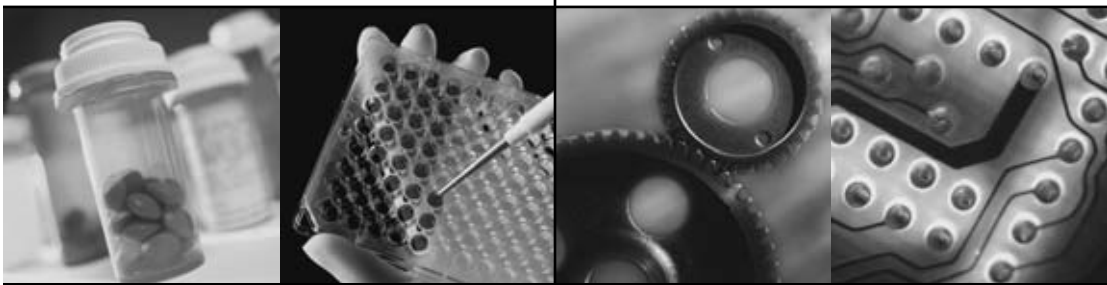


CLEMEX

Quarterly Report 1

2004-2005

the images **analysis** people



biotechnology and pharmaceutical

metallurgy and materials

President's Message

During this last quarter, we have begun to reorganize our sales department in view of the new corporate strategies. Following the discontinuation of our distribution activities of metallography equipment by the end of FY 2004, we are now devoting 100% of our sales and marketing efforts toward our imaging products, our core business.

In order to diversify our traditional sales model and generate more indirect sales from agent/distributors, we have signed new distributor agreements with a Texas organization and with an important microscope reseller for Washington and Oregon states and we are currently engaged in discussions with several other resellers on the East Coast of the USA.

Historically Clemex has been concentrating its sales efforts in the US around the heavily industrialized Mid-West area. However we believe that future growth can only occur if we can sustain an adequate coverage of all regions of United States and consequently, priority will be given to the distributors network expansion.

For this past quarter, the Corporation has increased its sales of its imaging products by 11% when compared to the same period last year. More importantly however, it has generated a net profit of \$54,517 compared to a net loss of \$93,17 for the same period.

We believe that we made the right choice by returning to our core business in 2005 and we are confident that our new business strategies coupled with a superior product line, major strides will take places in sales and profitability of the company.



Clément Forget
President, CEO and Chairman

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. Up until end of last FY ending April 30 2004, the Company was also involved in the distribution of equipment and consumables for the specimen preparation of solid metals and materials. The Company who was then the primary representative in Canada, the US, and Mexico for the ATM product line has discontinued that distribution business and has made the strategic decision to concentrate exclusively on its core business in the future, image analysis software and systems. 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 first quarter FY 2005 included:

- > Liquidation of remaining discontinued activities assets and inventory.
- > Increase of 11% in sales of imaging products over same period last year.
- > Generated a net profit of \$ 54,517.
- > Signed a number of key dealers in the US

Discussion of Operations and Financial Condition

During the first quarter ending July , revenues of continued business (imaging products) increased by 11% reaching \$ 1.16 million when compared to \$ 1.03 million for the same period of last year. Gross margin slightly decreased to 57% from 59 % while operating expenses increased by 11 % reaching \$ 642,876. while they were \$ 579,064 for the same period last year. Despite this slight increase in operation costs, the 11% increase in sales allowed the Company to generate a profit of \$23,838 for the continued operations.

The Company has also made another \$ 30,679 profit from the selling of discontinued activities assets and inventory and is thus posting a net profit of \$ 54,517. for the first quarter of FY 2005 while it had posted a net loss of \$ 93,147. last year for the same period.

Subsequent Events

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

Financings, Principal Purposes and Milestones

No significant events occurred during the 1st quarter ending July 31st, 2004.

Liquidity and Solvency

As at July 31st, 2004 the Company had a working capital position of \$ 603,137. 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 1.59 and 1.09 respectively.

Consolidated Balance Sheet

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

	July 31st 2004	April 30th 2004
	(unaudited)	(audited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 23,193	\$ 123,639
Accounts receivable	859,639	989,248
Research & development tax credits receivable	213,137	175,000
Inventories	476,397	390,328
Assets of discontinued operations held for disposal	4,478	310,315
Prepaid expenses	36,068	38,228
	1,612,912	2,026,758
Capital assets	492,202	524,178
Long-term assets held for disposal	54,648	69,249
Deferred financing costs <i>net of accumulated amortization of 13,011 \$ (2004 : \$ 11 152)</i>	24,162	26,021
	\$ 2,183,924	\$ 2,646,206
Liabilities		
Current liabilities		
Bank indebtedness	\$ 113,525	\$ 325,000
Accounts payable	564,292	653,566
Liabilities of discontinued operations held for disposal	-	122,920
Customer deposits	59,933	70,798
Current portion of long-term debt	286,592	287,191
	1,024,342	1,459,475
Long-term debt	602,287	673,449
Convertible debentures (note 2)	341,862	341,862
Shareholders' equity :		
Other component of shareholders' equity (note 2)	168,624	168,624
Share capital	4,186,358	4,186,358
Contributed surplus	6,385	6,385
Deficit	(4,135,430)	(4,189,947)
	225,937	171,420
	\$ 2,194,428	\$ 2,646,206

See accompanying notes to consolidated financial statements.

Consolidated Statement of Operations

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

	2004	2003
Sales	\$ 1,161,833	\$ 1,030,643
Cost of sales	495,119	425,748
Gross profit	666,714 57%	604,895 59%
Operating expenses :		
Commercial expenses	311,161	245,456
Administrative expenses	149,929	118,832
Research and development, net of tax credits	94,275	103,002
Depreciation	32,053	45,805
Financial	55,458	65,969
	642,876	579,064
Net earnings (net loss) before income taxes from continued operations	23,838	25,831
Earnings (loss) from discontinued operations	30,679	(118,978)
Net Earnings (Net Loss)	54,517	(93,147)
Deficit, beginning of year	(4,189,947)	(3,572,659)
Deficit, end of year	\$ (4,135,430)	\$ (3,665,806)
Net earnings (loss) per share :		
Basic	\$ 0.00	\$ (0.01)
Diluted	0.00	(0.01)
Weighted average number of shares outstanding	18,543,560	18,543,560
Dilutive effect of stock options		
Diluted weighted average number of shares	18,543,560	18,543,560

See accompanying notes to consolidated financial statements.

(1) The options for the current period and for the comparable period were antidilutive.

Consolidated Cash Flow

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

	2004	2003
Operating Activities		
Earning from continuing operations	\$ 23,838	\$ 25,831
Adjustment for:		
Depreciation	32,053	45,805
Amortization of deferred financing costs	1,859	1,859
Loss (Gain) on disposal of capital assets	-	(5,437)
	57,750	68,058
Net change in non-cash working capital items	(92,576)	(11,455)
Cash provided by (used for) continuing operating activities	(34,826)	56,603
Financing Activities		
Bank indebtedness	(211,475)	(14,207)
Long-term borrowings	-	-
Repayment of long-term debt	(71,761)	(24,791)
Cash provided by (used for) continuing financing activities	(283,236)	(38,998)
Investing Activities		
Acquisition of capital assets	(425)	(4,341)
Proceeds from disposal of capital assets	4,411	31,233
Cash provided by continuing investing activities	3,986	26,892
Net loss (Net increase) in cash and cash equivalents of continuing operations	(314,076)	44,497
Net cash and cash equivalents used in discontinued operations	228,197	(57,944)
CASH, BEGINNING OF YEAR	123,639	29,718
CASH, END OF YEAR	\$ 37,760	\$ 16,271

See accompanying notes to consolidated financial statements.

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. 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. Stock option plan

Diluted Earnings per Share

As at July 31, 2004, 1,309,448 options granted to acquire common shares of the Corporation at prices ranging from \$0.07 to \$0.60 were outstanding. During the period ending July 31, 2004, 10,000 options were granted.

3 Comparative figures

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

Corporate Information

Headquarters

Clemex Technologies Inc.
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J4G 1T5 Canada
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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

Massie Pharand Marcil
Turcotte et associés, CA inc.
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 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.

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.

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

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