

Corporate Information

Headquarters

Clemex Technologies Inc.
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J4G 1T5 Canada
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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 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

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.

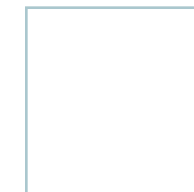
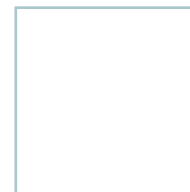
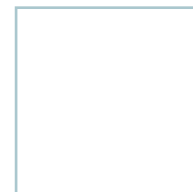
Sylvain Laroche
Vice-President, R&D
Clemex Technologies Inc.

CLEMEX

the image **analysis** people

Quarterly Report

2004-2005



Message to Shareholders

During this past quarter, we continued our recruitment of Dealers in the US and have signed two new agreements, one in the Mid-West, a historically active region for Clemex imaging products, and one on the West Coast. Our Dealers mandate is to resell our low and middle end line of image analysis software and they are becoming more successful as they gained experience with our products in the market field. As of the end of the third quarter Distributors sales accounted for 5% of total sales and we expect that they will soon reach 12-15% of our total sales once the US coverage reaches 90%. Clemex sales staff now concentrate more on high end and highly profitable sales in traditional materials sciences market, but also in newer markets such as Particle Size Analysis and Life sciences.

As such, the Company has made important sales in this Quarter for Particle Size to Eli Lilly (4th system) and to Pfizer (4th system) and has received an order for a Robotic Microscopy image analysis station from Corriell University in Philadelphia, NJ for its stem cells department which will be delivered in March.



Even though Clemex has sold 35 image analysis systems to date for Particle Size Analysis to pharmaceutical industries, we are completing the development of a new dedicated PSA (Particle Size and Shape Analyser) which includes a Clemex CFR 21 compliant software, a pharmaceutical industry requirement and we have installed Beta version of the software at a few selected customer sites. This new product was introduced at Pittcon 2005 in Orlando Feb 28th and has generated a lot of interest from the attendees. We expect that sales of these new instruments will generate important revenues in the near future in the niche market of pharmaceuticals powders.

For this past quarter, the Corporation has increased its sales of its imaging products by 52% when compared to the same period last year. More importantly however, it has generated a net profit of \$129,496 compared to a net loss of \$136,036 for the same period last year.

We believe that we have taken the appropriate measures to return the Company to profitability and we now work toward growth in sales and profit by capitalizing on our technology, our staff experience and New Product development.

Clément Forget
President and CEO

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. Stock option plan

Diluted Earnings per Share

As at January 31, 2005, 1,414,400 options granted to acquire common shares of the Corporation at prices ranging from \$0.10 to \$0.60 were outstanding. During the period ending January 31, 2005, 5,000 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.

Consolidated Balance Sheets

January 31, 2005 with comparative figures for April 30, 2004

	January 31 st 2005 (unaudited)	April 30 th 2004 (audited)
Assets		
Current assets:		
Cash and cash equivalents	27,498 \$	123,639 \$
Accounts receivable	1,048,711	989,248
Research & development tax credits receivable	305,388	175,000
Inventories	406,843	390,328
Assets of discontinued operations held for disposal	-	310,315
Prepaid expenses	34,278	38,228
	1,822,718	2,026,758
Capital assets	461,695	524,178
Long-term assets held for disposal	46,692	69,249
Deferred financing costs net of accumulated amortization of 16,727 \$ (2004: 11,152 \$)	20,445	26,021
	2,351,550 \$	2,646,206 \$
Liabilities		
Current liabilities :		
Bank indebtedness	280,255 \$	325,000 \$
Accounts payable	615,192	653,566
Liabilities of discontinued operations held for disposal	-	122,920
Customer deposits	55,846	70,798
Current portion of long-term debt	271,272	287,191
	1,222,565	1,459,475
Long-term debt	474,013	673,449
Convertible debentures	356,983	341,862
Shareholders' equity :		
Other component of shareholders' equity	168,624	168,624
Share capital	4,186,358	4,186,358
Contributed surplus	6,385	6,385
Deficit	(4,063,378)	(4,189,947)
	297,989	171,420
	2,351,550 \$	2,646,206 \$

See accompanying notes to consolidated financial statements.

Consolidated Statement of Operations

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

	third quarter		nine months	
	2005	2004	2005	2004
Sales	1,567,265 \$	1,029,117 \$	3,781,112 \$	3,365,815 \$
Cost of sales	798,529	477,393	1,726,720	1,502,409
Gross profit	768,736	551,724	2,054,392	1,863,406
Operating expenses :				
Commercial expenses	298,498	249,501	904,018	797,605
Administrative expenses	139,488	144,428	441,065	401,880
Research and development, net of tax credits	132,191	124,817	341,519	310,296
Depreciation	33,446	37,985	104,968	118,477
Financial	40,678	54,553	171,993	181,037
	644,301	611,284	1,963,563	1,809,295
Net earnings (Net loss) before discontinued operations	124,435	(59,560)	90,829	54,111
Earnings (loss) from discontinued operations	5,061	(76,476)	35,740	(324,868)
Net Earnings (Net Loss)	129,496	(136,036)	126,569	(270,757)
Deficit, beginning of year	(4,192,874)	(3,707,380)	(4,189,947)	(3,572,659)
Deficit, end of year	(4,063,378)\$	(3,843,416)\$	(4,063,378)\$	(3,843,416)\$
Net earnings (loss) per share:				
Basic	0,01 \$	(0,01)\$	0,01 \$	(0,01)\$
Diluted	0,01	(0,01)	0,01	(0,01)\$
Weighted average number of shares outstanding	18,543,560	18,543,560	18,543,560	18,543,560
Dilutive effect of stock options	-	-	-	-
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) The options for the current period and for the comparable period were antidilutive.

Consolidated Cash Flow

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

	third quarter		nine months	
	2005	2004	2005	2004
Operating Activities :				
Earning from continuing operations	124,435 \$	(59,560)\$	90,829 \$	54,111 \$
Adjustment for :				
Depreciation	33,446	37,985	104,968	118,477
Amortization of deferred financing costs	1,858	1,858	5,576	5,576
Increase in the value of the convertible debenture	3,440	-	15,121	-
Loss (Gain) on disposal of capital assets	3,266	-	(3,907)	(21,180)
	166,445	(19,717)	212,587	156,984
Net change in non-cash working capital items	(176,076)	(5,062)	(255,742)	(16,517)
Cash provided by (used for) continuing operating activities	(9,631)	(24,779)	(43,155)	140,467
Financing Activities :				
Bank indebtedness	95 048	(289,506)	(44,745)	(303,713)
Issuing of a debenture	-	333,991	-	333,991
Other equity components	-	166 009	-	166 009
Long-term borrowings	-	260,609	-	260,609
Repayment of long-term debt	(71,811)	(110,641)	(215,355)	(135,432)
Cash provided by (used for) continuing operating activities	23,237	360,462	(260,100)	321,464
Investing Activities :				
Acquisition of capital assets	(24,367)	(34,887)	(58,608)	(39,228)
Proceeds from disposal of capital assets	-	39,751	20,030	70,984
Cash provided by continuing investing activities	(24,367)	4,864	(38,578)	31,756
Net loss (Net increase) in cash and cash equivalents of continuing operations	(10,761)	340,547	(341,833)	493,687
Net cash and cash equivalents used in discontinued operations	13,017	(56,443)	245,692	(114,387)
Cash, beginning of year	25,242	16,271	123,639	29,718
Cash, end of year	27,498 \$	300,375 \$	27,498 \$	409,018 \$

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. Clemex 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 FY 2005 included:

- > Increase of Net sales by 52% when compared to same Quarter last year.
- > Generated a Net profit of \$129,496 compared to a Net loss of \$136,036 last year for the same period.
- > Decrease of Gross margin to 49% from 54% last year.
- > Recruited two new dealers in the US, one in the Mid-West and one on the West Coast.

Discussion of Operations and Financial Condition

During the third quarter ending January 31st, 2005, revenues of continued business (imaging products) increased by 52% reaching \$ 1.57 million when compared to \$ 1.03 million for the same period of last year. Gross margin decreased to 49% from 54 % while operating expenses increased slightly by 5 % reaching \$ 644,301. while they were \$ 611,284 for the same period last year (after restatement due to discontinued activities).

Subsequent Events

No significant events occurred after the period ended January 31st, 2005.

Financings, Principal Purposes and Milestones

No significant events occurred during the 3rd quarter ending January 31st, 2005.

Liquidity and Solvency

As at January 31st, 2005 the Company had a working capital position of \$ 600,153. With the Company's projected earnings, management expects to have sufficient working capital to meet its current and ongoing obligations as they come due and the current ratio stood at 1.49.