

Corporate Information

Headquarters

Clemex Technologies Inc.
800 Guimond, Longueuil, Quebec
J4G 1T5 Canada
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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

18,553,560

Board of Directors

Clément Forget
President and Chief Executive Officer
Clemex Technologies Inc.

Normand Labonté
Consultant

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

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

Dr. Jean-Marie Leclerc
Chairman of the Board
Vice-President, Medical Affairs
Novartis Pharma Canada Inc.

Michel Lasalle, ing.
President
Gestion Michel A. Lasalle inc.

Paul-Henri Rouleau
President
Phare Solutions inc.

Officers

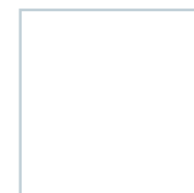
Clément Forget
President and Chief Executive Officer
Clemex Technologies Inc.

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

CLEMEX

the image **analysis** people

Quarterly Report
2005-2006



Message to Shareholders

Dear Shareholders,

For this third quarter, we have once again increased our profitability, which was one of our major goals for 2006. Net profit for Q3 was \$172,303 representing 11% of total sales for this Quarter. This is the fifth profitable Quarter in a row for the Corporation, and the sixth amongst the seven last. After 9 months in the current Fiscal Year, Net profit totals \$533,126, reaching near 12% of all sales.

Our goal for the next years is now to increase sales while maintaining this profitability. Management is currently performing a strategic planning exercise in order to define the short and mid-term activities necessary to achieve this goal.

During this past Quarter, important sales were primarily made to the metallurgy and manufacturing companies such as Faurecia Automotive (Canada), Arcelor (France, 4th system), Nucor Steel (USA, 5th system), GM Powertrain (USA, 9th system), Bharat Forge (India) and Zircatech Precision (Canada, 4th system). A few major sales were also made to chemical industries, Exxon Mobile (USA, 2nd system) and Dow Chemicals/Union Carbide.



A handwritten signature in blue ink, appearing to read 'Clément Forget'. The signature is fluid and cursive.

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, 2006 1,099,900 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, 2006, 40 000 options were granted, and 58,880 were cancelled.

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 31st, 2006 with comparative figures for April 30, 2005

	January 31 st 2006 (unaudited)	April 30 th 2005 (audited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 108,336	\$ 84,485
Accounts receivable	920,202	1,312,364
Research & development tax credit receivable	338,408	180,000
Inventories	445,783	347,891
Prepaid expenses	28,609	14,308
	1,841,338	1,939,048
Capital assets	239,616	258,192
Long-term assets held for disposal	213,621	213,621
Deffered financing costs net of accumulated amortization of 20,444 \$ (2005:18,587 \$)	13,010	18,586
	\$ 2,307,585	\$ 2,429,447
Liabilities and shareholder's equity		
Current Liabilities:		
Bank indebtedness	\$ 233,450	\$ 300,000
Accounts payable	503,243	618,783
Customers deposits & deferred revenue	16,023	24,041
Current portion of long-term debt	247,530	254,761
	1,000,246	1,197,585
Long-term debt	211,426	418,688
Convertible debenture (note 2)	192,904	363,582
Shareholders' equity:		
Other component of shareholders' equity (note 2)	84,312	168,624
Share capital	4,187,358	4,186,358
Contributed surplus	12,529	12,529
Deficit	(3,381,190)	(3,917,919)
	903,009	449,592
	\$ 2,307,585	\$ 2,429,447

See accompanying notes to consolidated financial statements.

Consolidated Statement of Operations

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

	third quarter		nine months	
	2005-06	2004-05	2005-06	2004-05
Sales	\$ 1,564,570	\$ 1,567,265	\$ 4,515,381	\$ 3,781,112
Cost of sales	634,637	798,529	1,850,718	1,726,720
Gross profit	929,933	768,736	2,664,663	2,054,392
Operating Expenses				
Sales & Marketing expenses	384,471	298,498	1,055,864	904,018
Administrative expenses	151,420	139,488	462,259	441,065
Research and development, net of tax credits	145,980	132,191	383,049	341,519
Depreciation	24,211	33,446	70,280	104,968
Financial expenses	51,548	40,678	160,084	171,993
	757,630	644,301	2,131,536	1,963,563
Net earnings before income taxes from continued operations	172,303	124,435	533,126	90,829
Earnings from discontinued operations	-	5,061	-	35,740
Net Earnings	172,303	129,496	533,126	126,569
Deficit, beginning	(3,553,493)	(4,192,874)	(3,917,919)	(4,189,947)
Margin due to the repurchase of a portion of the debenture	-	-	3603	-
Deficit, end	(3,381,190)	(4,063,378)	(3,381,190)	(4,063,378)
Net earnings (loss) per share				
Basic	\$ 0.01	\$ 0.01	\$ 0.03	\$ 0.01
Diluted	0.01	0.01	0.03	0.01
Weighted average number of shares outstanding	18,553,560	18,543,560	18,553,560	18,543,560
Dilutive effect of stock options	68,041	-	230,769	-
Diluted weighted average number of shares	18,621,601	18,543,560	18,784,329	18,543,560

See accompanying notes to consolidated financial statements.

Consolidated Cash Flow

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

	third quarter		nine months	
	2005-06	2004-05	2005-06	2004-05
Operating Activities				
Earning from continuing operations	\$ 172,303	\$ 124,435	\$ 533,126	\$ 90,829
Adjustment for:				
Depreciation	24,211	33,446	70,280	104,968
Amortization of deferred financing costs	1,859	1,858	5,576	5,576
Increase in the value of the convertible debenture	4,011	3,440	11,113	15,121
Loss (Gain) on disposal of capital assets	(3,587)	3,266	(3,325)	(3,907)
	198,797	166,445	616,770	212,587
Net change in non-cash working capital items	(143,809)	(176,076)	(1,997)	(255,742)
Cash provided by (used for) continuing operating activities	54,988	(9,631)	614,773	(43,155)
Financing Activities				
Bank indebtedness	146,000	95,048	(66,550)	(44,745)
Repurchasing of the debenture	-	-	(181,791)	-
Issuing of shares (category A)	-	-	1,000	-
Other components of shareholders' equity	-	-	(84,312)	-
Margin due to the repurchase of a portion of the debenture	-	-	3,603	-
Repayment of long-term debt	(76,872)	(71,811)	(214,492)	(215,355)
Cash provided by (used for) continuing financing activities	69,128	23,237	(542,542)	(260,100)
Investing activities				
Acquisition of capital assets	(15,955)	(24,367)	(77,235)	(58,608)
Proceeds from disposal of capital assets	17,306	-	28,855	20,030
Cash provided by continuing investing activities	1,351	(24,367)	(48,380)	(38,578)
Net loss (net increase) in cash and cash equivalents of continuing operations	125,467	(10,761)	23,851	(341,833)
Net cash and cash equivalent used in discontinued activities	-	13,017	-	245,692
CASH, BEGINNING	(17,131)	25,242	84,485	123,639
CASH, END	\$ 108,336	\$ 27,498	\$ 108,336	\$ 27,498

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 2006 included:

- > Increase in Net Profit for Q3 to \$ 172,303 from \$129,496 for same period last year
- > Cumulative Net Profit for the first 9 months of FY 2006 is at \$ 533,126 versus \$ 129,569 for the same period last year.
- > Sales for third Quarter 2006 were similar to third Quarter 2005 at \$1,564,570 versus 1,567,265 in 2005.
- > Sales after nine months of operation in 2006 are at \$ 4,515,381 versus \$ 3,781,112 in 2005.

Discussion of Operations and Financial Conditions

During this third quarter of FY 2006, sales were the same as Q3 last year at \$1.56 million. For that same period, Gross Margin significantly increased from 49.4% to 59.4%. Global expenses, totaled \$ 757,630 this year compared to \$644,301 last year, most of the increase due to Marketing expenses. Net profit for Q3 was \$172,303 while it was \$129,496 for the same period last year.

Subsequent Events

No significant subsequent events.

Financing, Principal Purposes and Milestones

No significant events.

Liquidity and Solvency

As of January 31 2006, the Company had a working capital position of \$ 515,000. 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 & quick ratio stood at 1.39 and 1.84 respectively.