

Q3

CLEMEX

Period ending January 31, 2007



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President's Message

To the shareholders of Clemex Technologies,

This third quarter, the ninth consecutive one with profits, attests to the sales we have accomplished, mainly in the manufacturing sectors and the advanced technology industries.

For the first three quarters of fiscal year 2007, we exceeded our sales goals for North America by 10% although we are slightly below our projections for the international market. We are experiencing some delays in our internal forecasts for our new powder size and shape analysis solutions which, for the moment, affects our financial performance with total sales below our objectives by as much as 500,000 \$.

In spite of these results, we remain very optimistic about the immediate future, since many initiatives have been put into place to boost our organization's growth potential.

On the one hand, our solutions are recognized more and more as the most powerful and reliable in the industry. Within the framework of our customer solutions' development plan, we have developed a number of related products, one of which specializes in the analysis of impurities in filtered liquids used for cleaning parts in various industries. Among other things, this new application, some of which are already on the market, could prove very lucrative in the short-term since Clemex is one of only a few manufacturers offering these turn-key solutions in this very important and diversified market.

On the other hand, structured marketing efforts within the company have been set up and will not fail to exert an important impact on our results. In the short term, direct marketing actions have been set in motion in targeted markets and a communication campaign has been implemented to increase Clemex's notoriety and to give us required positioning.

2007 will have been a turning point for our company. After concerted efforts in strategic planning, Clemex's team will have re-examined and consolidated the whole of its processes, in order to optimize the effectiveness of the company's various functions, from R&D and operations, to marketing and sales. All the efforts thus invested in our way of doing things will represent, in the very short term, a genuine mechanism to support and stimulate our development.

Clément Forget
President and chief executive officer

Management's Discussion and Analysis of Financial Position and Results of Operations

For the quarter ended January 31, 2007

This discussion and analysis is provided to assist readers in their assessment and understanding of the consolidated results of operations, the financial position and changes in cash flows of Clemex Technologies Inc. for the third quarter ended January 31st, 2007.

Business Description

Clemex Technologies, Inc. ("Clemex" or "the Company") develops, manufactures and markets image analysis systems and software used by quality control and research microscopy laboratories. Clemex's customer base spans over many countries around the world and encompasses large manufacturing concerns in numerous industries including automotive, aerospace, raw materials manufacturing, pharmaceuticals, mining and other sectors.

Clemex Technologies' headquarter is located in Longueuil, QC, and has a business office in the US, as well as distributors in Europe, Asia, South America and the Middle East. The Company is publicly traded on the Alberta stock exchange under the symbol "CXG.A".

Analysis of Financial Position and Results of Operations

Consolidated Statement of Operations for a period of three months ending January 31st 2007 and the cumulative nine month period.

	2007	Three months 2006	2007	Nine months 2006	Notes
	\$	\$	\$	\$	
Sales	1,463,992	1,564,570	4,146,840	4,515,381	1
Cost of sales	631,203	634,637	1,748,590	1,850,718	2
Gross profit	832,789	929,933	2,398,250	2,664,663	
Operating expenses :					
Sales & Marketing expenses	400,281	384,471	1,172,530	1,055,864	3
Administrative expenses	207,469	151,420	559,681	462,259	4
Research and development, net of tax credits	120,097	145,980	374,460	383,049	5
Depreciation	27,566	24,211	69,953	70,280	6
Financial expenses	(1,783)	51,548	78,226	160,084	7
	753,630	757,630	2,254,850	2,131,536	
Net earnings	79,159	172,303	143,400	533,126	8

During the third quarter of this fiscal year 2007, incomes reached \$1.46 M, compared to \$1.56 M for the same period last year. The gross margin was 56.8% for this period whereas it was 59.2% last year.

After nine months of activities, total income amounts to \$4.1 M compared to \$4.5 M last year. For this same period, the gross margin was maintained at 57.8% compared to 59.0% for last year.

The Company released a surplus of \$79,100 during this quarter, with a cumulative of \$143,400 after nine months of operation.

Consolidated Balance Sheet

	As of Jan. 30th 2007 (unaudited) \$	As of April 30th 2006 (audited) \$	Notes
Assets			
Current assets :			
Cash and cash equivalents	-	217,955	9
Accounts receivable	1,080,723	1,144,739	10
Tax credit receivable	163,922	241,247	11
Inventories	606,897	495,636	12
Prepaid expenses	22,633	29,339	
	1,874,175	2,128,916	
Capital assets	394,903	397,673	
Long-term assets held for disposal	9,637	9,637	
Deferred financing costs net of accumulated Amortization of \$31,581 (2006: \$26,023)	5,576	11,152	
	2,284,291	2,547,378	
Liabilities and shareholders' equity			
Current liabilities :			
Bank indebtedness	40,556	225,000	
Accounts payable	620,233	704,662	13
Customers deposits & deferred revenue	20,538	16,486	
Current portion of long-term debt	177,642	193,903	
	858,969	1,140,051	
Long-term debt	81,575	212,481	14
Convertible debenture	205,739	196,724	
Shareholders' equity :			
Other component of shareholders' equity (note 2)	84,312	84,312	
Capital stock	4,208,248	4,220,548	15
Contributed surplus	46,278	37,491	
Deficit	(3,200,829)	(3,344,229)	
	1,138,009	998,122	
	2,284,291	2,547,378	

Management's Discussion and Analysis of Financial Position and Results of Operations

References to the summary of consolidated results and balance sheet.

1. Sales

A decrease of \$100,000 for this quarter and \$368,000 cumulative.

The Company's sales numbers for the last quarter is lower than the same period last year. The cumulative one is also weaker after nine months in comparison with the same period last year.

This decrease is due mostly to the fact that a great deal of effort was invested in the sale of our new product, the PS3. Unfortunately, sales did not materialize as expected, and consequently did not produce the anticipated results. The market is taking longer than anticipated to develop. We readjusted our strategy during this last quarter; however, results of this will only be apparent in the next six to nine months, which represents the average sales cycle.

2. Cost of sales

An increase of 2.4% for this quarter and 1.1% cumulative.

The cost of sales includes supplies and human resources cost associated with filling our orders. It also includes labour, packaging and delivery costs, as well as expenditures associated with the set-up of products at our clients' places of business.

The types of product sold, having different characteristics and requiring different preparations and installation, is mostly responsible for cost variations from one quarter to the next.

3. Sales and marketing

An increase of \$15,800 for this quarter and \$116,000 cumulative.

Sales and marketing expenses include marketing, sales personnel costs, commissions, travel expenses, trade shows and advertising.

The Company hired 2 new employees during the year, adding to its International and North American sales department. Moreover, a technical writer for the User Guides, descriptive cards and advertising of our products was added to the marketing department. All of these efforts are directly in line with our strategic plan.

There were many indirect sales in the last quarter and since the beginning of the fiscal year, leading to more commissions being paid to distributors.

4. Administrative expenses

An increase of \$56,000 for this quarter and \$97,000 cumulative.

General and administrative expenses consist primarily of costs relating to management, human resources, finance, as well as rent and other office expenses, professional fees and other general overhead expenses.

The Company made renovations of its offices during the year, for a total of \$31,000. Since October 2006, the Company rents 3,000 square feet of additional space, for an additional cost of \$18,000, as rental improvements are financed through the lease.

The hiring of a receptionist was also carried out during the first quarter of this year, leading to an additional labour expense of \$25,000 compared to last year and also, several training sessions were given to our personnel for an amount of \$13,000 which is more than the same period last year. This explains \$87,000 of the variation.

5. Research and development

A decrease of \$25,000 for this quarter and \$8,000 cumulative.

Research and development expenses include personnel and consultant costs required to develop and support the Company's products.

Following the departure of the Vice-President of R&D, the position was replaced by a Director of R&D.

Consultant costs decreased compared to last year, carrying out a saving of \$35,000.

6. Depreciation

An increase of \$3,000 for this quarter.

Depreciation expenditures are slightly on the rise mainly due to the acquisition of new R&D equipment as well as a new booth for road shows during the last quarter.

7. Financial expenses

A decrease of \$53,331 for this quarter and \$81,000 cumulative.

Financial expenses consist of interest on term loans, bank charges and foreign currency gains and losses. During the last quarter, the following financial expenses were incurred.

Interest and bank charges	14,997
Interest on the long-term debt	18,528
Losses (gains) on foreign currency transactions	(35,308)
	(1,783)

Management's Discussion and Analysis of Financial Position and Results of Operations

7. Financial expenses (cont'd)

The Company benefited from the impact of the rise of the US dollar during the last quarter. This helped to offset interest expenses. The Company has lower interest expenses than last year, due mainly to loan engagements being completed.

8. Net earnings

A decrease of \$93,000 for this quarter and \$389,000 cumulative.

The Company had lower net earnings for this last quarter, and this is due to a combination of factors linked to lower sales, additional labour expenditures, advertising and marketing incurred during the year.

New market strategy development requires investments, and management were well aware of the stakes when the strategic plan was defined.

Management follows the financial situation very closely and has even delayed the hiring of more employees due to the slow cycle of sales and slow response from the market . Management is taking measures to adjust the original plan and return to a greater profitability.

9. Cash and cash equivalents

A decrease of \$40,000. The cash inflow for the last quarter was :

Operating activities	427,853
Financing activities	(461,487)
Investing activities	(18,670)
Net cash inflow (outflow)	(40,556)

The Company used part of its liquidities, \$20,000, for its share repurchasing program during the normal course of its activities and with the acquisition of computer equipment for its R&D department, as well as its new kiosk, for a total of \$19,000. The Company has sufficient funds to meet its obligations. The current and quick ratios are 2.2 and 1.5 respectively.

10. Accounts receivable

A decrease of \$64,000.

Management has implemented a good follow up system of its accounts receivable, therefore, no bad debt have been recorded this fiscal year. The recovery ratio of its accounts is stable at 45 days.

11. Tax credit receivable

A decrease of \$77,000.

The tax credits on investment are simply the R & D credits refundable by the Quebec government.

Last December, the Company received payment of the tax credits which had been requested the previous year, for a total of \$245,000.

The amount appearing in the current assets represents the current investment by way of tax credits to research and development.

12. Inventories

An increase of \$111,000.

Inventory represents the goods that the Company has on hand to prepare orders and to resell its finished products to its customers. In the past, inventories were kept to a minimum, making it difficult to deliver goods to customers in less than 6 weeks. Inventory levels increased this year to be able to respond quickly to customer orders.

Inventories are primarily made up of microscope parts, cameras, motorized stages and several computer parts.

13. Accounts payable

A decrease of \$84,000.

Accounts payable represent accrued and incurred liabilities as of January 31st, 2007, such as supplier accounts for a total of \$375,000, and other expenses such as wages, commissions, taxes, professional fees for a total of \$245,000.

The decrease is mainly due to a timing difference in the payment of bi-weekly payrolls and of supplier accounts.

Management's Discussion and Analysis of Financial Position and Results of Operations

14. Long-term debt

A decrease of \$147,000.

Details of long-term debt are as follows:

	January 31 2007	April 30 2006
\$750,000 debt due in October 2007 guaranteed by Investissement Québec with monthly payments of \$15,625, carrying interest at the basic rate plus 2%	156,250	296,875
\$107,000 term debt due in October 2011, carrying interest at the basic rate plus 2.5%, with monthly payment of capital of \$1,782.65	102,967	109,509
	59,217	406,384
Short-term portion	177,642	193,903
	81,575	212,481
Convertible debentures	205,739	196,724

A line of credit totalling \$500,000 is available for short-term liquidity requirements. The Company must maintain a debt ratio under 2.5. This ratio is 0.70 as of January 31st 2007.

The Company had, issued in 2003, a debenture of \$500,000 at a rate of 9%. In June 2005, it repurchased half of its debenture. The debenture is convertible at any time by the holder at a conversion price of \$0.20 per class "A" share. The Company can force conversion of the principle amount at the above mentioned conversion rate, on the condition that the average share exchange is maintained at \$0.70 for a period of 20 consecutive days.

15. Share Capital

The issued common share capital is as follows:

	On March 26 2007	On January 31 2007	On April 30 2006
Options issued and outstanding	959,500	949,500	909,000
Shares issued and outstanding	18,672,060	18,793,060	18,728,060

The Company got the authorization from the TSX Venture Exchange to repurchase shares in the normal course of activities on December 12th, 2006. A total of 936,500 class "A" shares can be repurchased and cancelled during the next 12 months.

Selected quarterly financial information

	Q3	Q2	2007 Q1	Q4	Q3	Q2	2006 Q1	2005 Q4
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	1 463 992	1 398 350	1 284 497	1,543,244	1,564,570	1,490,280	1,460,531	1,728,910
Net loss	832 789	831 816	735 839	889,978	929,933	860,592	874,064	956,298
Earnings/ Net losses (1)	79 159	40 174	24 066	42,620	172,303	147,458	213,365	168,351
BPA	0.004	0.002	0.001	0.002	0.010	0.010	0.012	0.009
BPA (diluted)	0.004	0.002	0.001	0.002	0.010	0.010	0.011	0.009
Earnings/ Net losses (2)	79 159	40 174	24 066	40,564	172,303	147,458	213,365	145,459
BPA	0.004	0.002	0.001	0.002	0.010	0.010	0.012	0.008
BPA	0.004	0.002	0.001	0.002	0.010	0.010	0.011	0.008

(1) Net earnings or net (losses) from continuing activities, basic per share and diluted per share.

(2) Net earning or net (losses) including discontinued activities, basic per share and diluted per share.

Risks and Uncertainties

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.

Additional risks and uncertainties which are not presently known could adversely affect the Company, such as changes in economic or political environment, dependence on a particular industry, changes in foreign exchange rates, fluctuations in sales cycles and demand for products, as well as the ability to attract and retain key personnel.

Management's Discussion and Analysis of Financial Position and Results of Operations

Subsequent Events

The Corporation proceeded to file a Patent Application for a "System Method for Automatic Measurements on Calibration of Computerized Magnifying Instrument" on March 13, 2007. The Patent Application was filed in Canada, United States and England.

Disclosure controls and procedures

As of January 31st, 2007, there were no changes to the design of disclosure controls and procedures and to the design of internal control over financial reporting

This Management Discussion and Analysis report was prepared on March 26th, 2007. For more information, please visit the SEDAR website at: www.sedar.com.

Financial Statements

Period ending January 31st, 2007

Consolidated Balance Sheet

As of January 31, 2007 with comparative figures of April 30, 2006

	January 31st 2007 (unaudited)	April 30th 2006 (audited)
Assets		
Current assets:		
Cash and cash equivalents	\$ -	\$ 217,955
Accounts receivable	1,080,723	1,144,739
Research & development tax credit receivable	163,922	241,247
Inventories	606,897	495,636
Prepaid expenses	22,633	29,339
	1,874,175	2,128,916
Capital assets	394,903	397,673
Long-term assets held for disposal	9,637	9,637
Deffered financing costs net of accumulated amortization of \$ 31 581 (2006: \$ 26 023)	5,576	11,152
	\$ 2,284,291	\$ 2,547,378
Liabilities and shareholder's equity		
Current Liabilities		
Bank Overdraft	\$ 40,556	\$ -
Bank indebtedness	-	225,000
Accounts payable	620,233	704,662
Customers deposits & deferred revenue	20,538	16,486
Current portion of long-term debt	177,642	193,903
	858,969	1,140,051
Long-term debt	81,575	212,481
Convertible debenture (note 2)	205,739	196,724
Shareholders' equity:		
Other component of shareholders' equity (note 2)	84,312	84,312
Share capital	4,208,248	4,220,548
Contibuted surplus	46,278	37,491
Deficit	(3,200,829)	(3,344,229)
	1,138,009	998,122
	\$ 2,284,291	\$ 2,547,378

See accompanying notes to consolidated financial statements

Consolidated Income Statement

For a period of three months ending January 31st 2007 and the cumulative nine month period (unaudited).

	Three months		Nine months	
	2007	2006	2007	2006
Sales	\$1,463,992	\$1,564,570	\$ 4,146,840	\$ 4,515,381
Cost of sales	631,203	634,637	1,748,590	1,850,718
Gross profit	832,789	929,933	2,398,250	2,664,663
Operating Expenses				
Sales & Marketing expenses	400,281	384,471	1,172,530	1,055,864
Administrative expenses	207,469	151,420	559,681	462,259
Research and development, net of tax credits	120,097	145,980	374,460	383,049
Depreciation	27,566	24,211	69,953	70,280
Financial expenses	(1,783)	51,548	78,226	160,084
	753,630	757,630	2,254,850	2,131,536
Net earnings from continuing operations	79,159	172,303	143,400	533,126
Earnings from discontinued operations	-	-	-	-
Net Earnings	\$ 79,159	172,303	143,400	533,126
Deficit, beginning	(3,279,988)	(3,553,493)	(3,344,229)	(3,917,919)
Margin due to the repurchase of a portion of the debenture	-	-	-	3,603
Deficit, end	\$(3,200,829)	\$(3,381,190)	\$(3,200,829)	\$(3,381,190)
Net earnings (loss) per share				
Basic	\$ 0.004	\$ 0.010	\$ 0.01	\$ 0.03
Diluted	0.004	0.010	0.01	0.03
Weighted average number of shares outstanding	18,793,060	18,553,560	18,793,060	18,553,560
Dilutive effect of stock options (1)	121,916	68,041	121,916	230,769
Diluted weighted average number of shares	18,914,976	18,621,601	18,914,976	18,784,329

See accompanying notes to consolidated financial statements.

(1) Stock options on the convertible debenture were not included because of their antidilutive effect.

Consolidated Cash Flow Statement

For a period of three months ending January 31st 2007 and the cumulative nine month period (unaudited).

	Three months		Nine Months	
	2007	2006	2007	2006
Operating Activities				
Earning from continuing operations	\$ 79,159	\$ 172,303	\$ 143,400	\$ 533,126
Adjustment for:				
Depreciation	27,566	24,211	69,953	70,280
Amortization of deferred financing costs	1,859	1,859	5,576	5,576
Increase in the value of the convertible debenture	3,140	4,011	9,015	11,113
Loss (Gain) on disposal of capital assets	-	(3,587)	-	(3,325)
	111,723	198,797	227,944	616,770
Net change in non-cash working capital items	316,130	(143,809)	(43,591)	(1,997)
Cash provided by (used for) continuing operating activities	427,853	54,988	184,353	614,773
Financing Activities				
Bank indebtedness	(400,000)	146,000	(225,000)	(66,550)
Repurchasing of the debenture	-	-	-	(181,791)
Issuing of shares (category A)	(20,000)	-	(12,300)	1,000
Other components of shareholders' equity	8,787	-	8,787	(84,312)
Margin due to the repurchase of a portion of the debenture	-	-	-	3,603
Repayment of long-term debt	(50,274)	(76,872)	(147,167)	(214,492)
Cash provided by (used for) continuing financing activities	(461,487)	69,128	(375,680)	(542,542)
Investing activities				
Acquisition of capital assets	(19,413)	(15,955)	(67,984)	(77,235)
Proceeds from disposal of capital assets	743	17,306	800	28,855
Cash provided by continuing investing activities	(18,670)	1,351	(67,184)	(48,380)
Net loss (net increase) in cash and cash equivalents of continuing operations	(52,304)	125,467	(258,511)	23,851
CASH, BEGINNING	11,748	(17,131)	217,955	84,485
CASH, END	\$ (40,556)	\$ 108,336	\$ (40,556)	\$ 108,336

Notes to Consolidated Financial Statements

For the third quarter ending January 31, 2007

1. Basis of presentation

Activity Description

Clemex Technologies Inc. Develops , manufactures and markets image analysis systems and software used by quality control and research microscopy laboratories.

Basis 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.

Interim Period Operations Seasonability

The first two trimestres are traditionnaly slower months in terms of sales due to summer break period. Nevertheless, given the long sales cycles, the Company's results can fluctuate from quarter to quarter.

2. Stock option plan

As per the stock option plan, the Corporation may grant options from time to time to its employees and directors. Options granted under the plan may be exercised over a period of 5 years from the date they were granted and expire no later than the anniversary date.

Variations in stock-option outstanding and the effect on the weighted average exercise price are summarized as follows:

		Number of options	Weighted average exercise price
Balance, as of April 30th, 2006		909,900	0.19
Options granted	first quarter	-	-
	second quarter	-	-
	third quarter	441,500	0.22
Options cancelled	first quarter	-	-
	second quarter	20,000	-
	third quarter	371,900	0.21
Balance as of January 31, 2007		959,500	0.20

Notes to Consolidated Financial Statements

For the third quarter ending January 31, 2007

2. Stock option plan (cont'd)

Under the stock option plan terms, the options granted can be exercised at different dates. Therefore, of the total options granted, 10 000 were exercisable immediately, 215 750 after a six month period and 215 750 after twelve months.

An amount of \$ 8 787 was accounted for during this quarter as a result of options granted.

3. Segmented information

The sales are broken in geographic area as follows. The sales attributed to each geographic area based on the location of the customer.

Quarter ending January 31, 2007

	Unaudited FY 2007		Audited FY 2006	
	3 months	9 months	3 months	9 months
Sales				
Canada	256,392	923,042	425,070	824,471
United States	771,286	2,245,855	643,201	1,667,993
Other countries	436,314	977,943	496,299	2,022,917
	1,463,992	4,146,840	1,564,570	4,515,381

4. Capital

The issued and outstanding common type "A" share capital of the Corporation is as follows:

	Nbr. shares	\$
Balance as of April 30 2006	18,728,060	4,220,548
Shares issued with respect to options granted	65,000	7,700
Repurchased shares (1)	-	20,000
Balance as of January 31, 2007	18,793,060	4,208,248
Repurchased shares (1)	121,000	14,595
Balance as of March 26, 2007	18,672,060	4,193,653

(1) The Corporation has obtained authorization to proceed to the purchase of a maximum of 5 % of its outstanding shares of the public float on December 12, 2006 through the Normal Course Issuer Bid. A total of 121 000 shares have been purchased and cancelled for a total of \$ 34 595 as of March 26, 2007.

Corporate Information

Headquarters

Clemex Technologies Inc.
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Telephone: (450) 651-6573
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
Brossard, Quebec

Solicitors

Miller, Thompson, Pouliot
Montreal, Québec

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

18,793,060

Board of Directors

Clément Forget

President and Chief Executive Officer
Clemex Technologies Inc.

Renaud Caron

Chairman of the Board
Senior Vice-President Business Engineering
CGI Group, Inc.

Me Lisane Dostie

Vice-Chairman of the Board
Lawyer

Gilles L'Espérance, Phd

Administrator
Material Engineering
Associate Professor
École Polytechnique

Michel Lasalle, ing.

Administrator
President
Gestion Michel A. Lasalle inc.

Paul-Henri Rouleau

Administrator
President
Phare Solutions inc.

Officers

Clément Forget

President and Chief Executive Officer
Clemex Technologies Inc.

Caroline Trudel

Treasurer
Vice-President, Finances & Administration
Clemex Technologies Inc.

Monique Dallaire

Vice-President,
Marketing and Product Development
Clemex Technologies Inc.

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