

**NEWS RELEASE****FOR IMMEDIATE RELEASE****CE Franklin Ltd. announces 2009 Second Quarter Results**

Calgary, Alberta, July 23, 2009 - CE FRANKLIN LTD. (TSX.CFT, NASDAQ.CFK) reported net income of \$0.04 per share (basic) for the second quarter ended June 30, 2009, compared to \$0.05 per share earned in the second quarter ended June 30, 2008.

Financial Highlights

(millions of Cdn.\$ except per share data)	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2009	2008	2009	2008
	(unaudited)		(unaudited)	
Sales	\$ 109.1	\$ 96.4	\$ 249.9	\$ 237.0
Gross profit	17.5	19.0	43.9	46.0
Gross profit - % of sales	16.0%	19.7%	17.6%	19.4%
EBITDA⁽¹⁾	1.7	2.3	11.3	12.4
EBITDA⁽¹⁾ % of sales	1.6%	2.4%	4.5%	5.2%
Net income	\$ 0.6	\$ 1.0	\$ 6.6	\$ 7.2
Per share - basic	\$ 0.04	\$ 0.05	\$ 0.37	\$ 0.39
- diluted	\$ 0.03	\$ 0.05	\$ 0.36	\$ 0.39
Net working capital⁽²⁾	\$ 137.0	\$ 114.9		
Bank operating loan⁽²⁾	\$ 25.3	\$ 18.4		

"CE Franklin delivered solid results in the second quarter, significantly outperforming market activity. The integration of an oilfield supply competitor acquired June 1, 2009 is proceeding well and will strengthen the Company's competitive position and profitability going forward," said Michael West, President and Chief Executive Officer.

Net income for the second quarter of 2009 was \$0.6 million, down 40% from the second quarter of 2008. Second quarter sales are seasonally low as oilfield project activity is impacted by the spring breakup. Sales were \$109.1 million, an increase of \$12.7 million (13%) compared to the second quarter of 2008 as strong sales to oil sands customers more than offset the decline in oilfield supply sales. Capital project business for the second quarter comprised 58% of total sales (2008 – 54%), and increased \$11.6 million (22%) over the prior year period due to continued growth of oil sands revenues. Gross profit for the second quarter was down \$1.5 million with gross profit margins reducing by 3.7% from the prior year period to 16.0%. The decrease is a result of the increase in lower margin oil sands sales. Selling, general and administrative expenses decreased by \$0.9 million for the quarter compared to the prior year period as compensation, selling and marketing costs have been managed lower in response to the reduced oil and gas industry activity levels. The weighted average number of shares outstanding during the second quarter decreased by 0.6 million shares (3%) from the prior year period principally due to shares purchased for cancellation pursuant to the Company's normal course issuer bid. Net income per share (basic) was \$0.04 in the second quarter of 2009, down \$0.01 (20%) from that earned in the second quarter 2008.

On June 1, 2009, the Company acquired an oilfield supply competitor for \$12.0 million, subject to post closing adjustments. The acquired business operated 22 oilfield supply stores across the western Canadian sedimentary basin of which 17 locations are proximate to CE Franklin stores and are being integrated. The remaining 5 locations extend the market reach of CE Franklin's distribution network to 50 locations. The acquisition is expected to increase CE Franklin's annualized sales by more than 10% from

current levels. The acquisition contributed sales of approximately \$4.0 million in the second quarter and a net operating loss before tax of \$0.3 million. The integration of the acquisition is well advanced and is expected to contribute positive earnings in the third quarter.

Net income for the first half of 2009 was \$6.6 million, down \$0.6 million from the first half of 2008. Sales were \$249.9 million, an increase of \$12.9 million (5%) compared to the first half of 2008. Capital project business for the first half of 2009 comprised 60% of total sales (2008 – 55%), and increased \$21.1 million (16%) over the prior year period due to increased oil sands, midstream and industrial project sales. Gross profit for the first six months was down \$2.1 million with margins reducing by 1.8% from the prior year period. The decrease is a result of the increase in lower margin oil sands sales and increased competitive pressure. Selling, general and administrative expenses decreased by \$1.0 million for the first half compared to the prior year period as compensation, selling and marketing costs have been managed lower in response to the reduced oil and gas industry activity levels. The weighted average number of shares outstanding during the first half of the year decreased by 0.4 million shares (2%) from the prior year period principally due to shares purchased in 2009 for cancellation pursuant to the Company's normal course issuer bid. Net income per share (basic) was \$0.37 in the first half of 2009, down \$0.02 (5%) from the first half of 2008.

Business Outlook

The ongoing global recession has contributed to significant capital market volatility, resulting in deleveraging, repricing of risk and ultimately the retrenchment of consumption. Oil and gas markets have experienced similar upheaval. While crude oil prices have rebounded from first quarter lows, natural gas prices remain at the lowest levels seen in a decade. Oil and gas well completions and rig counts have declined sharply in the second quarter compared to 2008 levels and are expected to continue through 2009 and into 2010 at depressed levels. Approximately 60% of the Company's sales are driven by our customers' capital project expenditures.

The Company expects these conditions will contribute to increased consolidation of oil and gas customers, stable to deflationary product costs and improved labour availability. For the balance of 2009 and into 2010, sales levels are expected to decline compared to 2008 as expected lower oilfield sales are partially offset by expected increased sales to oil sands, midstream and industrial product end use markets. The Company will continue to manage its cost structure in response to weak oil and gas industry demand. The Company has a strong balance sheet and is positioned to pursue its strategies to increase market share in both the conventional oilfield and oil sands markets.

Over the medium to longer term, the Company is confident that it can continue to strengthen and improve the profitability of its distribution network by expanding its product lines, supplier relationships and capability to service additional oil and gas and industrial end use markets.

- (1) EBITDA represents net income before interest, taxes, depreciation and amortization. EBITDA is a supplemental non-GAAP financial measure used by management, as well as industry analysts, to evaluate operations. Management believes that EBITDA, as presented, represents a useful means of assessing the performance of the Company's ongoing operating activities, as it reflects the Company's earnings trends without showing the impact of certain charges. The Company is also presenting EBITDA and EBITDA as a percentage of sales because it is used by management as supplemental measures of profitability. The use of EBITDA by the Company has certain material limitations because it excludes the recurring expenditures of interest, income tax, and amortization expenses. Interest expense is a necessary component of the Company's expenses because the Company borrows money to finance its working capital and capital expenditures. Income tax expense is a necessary component of the Company's expenses because the Company is required to pay cash income taxes. Amortization expense is a necessary component of the Company's expenses because the Company uses property and equipment to generate sales. Management compensates for these limitations to the use of EBITDA by using EBITDA as only a supplementary measure of profitability. EBITDA is not used by management as an alternative to net income, as an indicator of the Company's operating performance, as an alternative to any other measure of performance in conformity with generally accepted accounting principles or as an alternative to cash flow from operating activities as a measure of liquidity. A reconciliation of EBITDA to Net income is provided within the Company's Management Discussion and Analysis. Not all companies calculate EBITDA in the same manner and EBITDA does not have a standardized meaning prescribed by GAAP. Accordingly, EBITDA, as the term is used herein, is unlikely to be comparable to EBITDA as reported by other entities.
- (2) Net working capital is defined as current assets less accounts payable and accrued liabilities, income taxes payable and other current liabilities, excluding the bank operating loan. Net working capital and Bank operating loan are as at quarter end.

Additional Information

Additional information relating to CE Franklin, including its second quarter 2009 Management Discussion and Analysis and interim consolidated financial statements and its Form 20-F / Annual Information Form,

is available under the Company's profile on the SEDAR website at www.sedar.com and at www.cefranklin.com

Conference Call and Webcast Information

A conference call to review the 2009 second quarter results, which is open to the public, will be held on Friday, July 24, 2009 at 11:00 a.m. Eastern Time (9:00 a.m. Mountain Time).

Participants may join the call by dialing **1-416-644-3417 in Toronto or dialing 1-800-732-9307 at the scheduled time of 11:00 a.m. Eastern Time.** For those unable to listen to the live conference call, a replay will be available at approximately 1:00 p.m. Eastern Time on the same day by calling **1-416-640-1917 in Toronto or dialing 1-877-289-8525** and entering the Passcode of **21310334** followed by the pound sign and may be accessed until midnight Monday, August 1, 2009.

The call will also be webcast live at:

<http://www.newswire.ca/en/webcast/viewEvent.cgi?eventID=2719200> and will be available on the Company's website at <http://www.cefranklin.com>.

Michael West, President and Chief Executive Officer will lead the discussion and will be accompanied by Mark Schweitzer, Vice President and Chief Financial Officer. The discussion will be followed by a question and answer period.

About CE Franklin

For more than half a century, CE Franklin has been a leading supplier of products and services to the energy industry. CE Franklin distributes pipe, valves, flanges, fittings, production equipment, tubular products and other general oilfield supplies to oil and gas producers in Canada as well as to the oil sands, refining, heavy oil, petrochemical, forestry and mining industries. These products are distributed through its 50 branches, which are situated in towns and cities serving particular oil and gas fields of the western Canadian sedimentary basin.

Forward-looking Statements: The information in this news release may contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and other applicable securities legislation. All statements, other than statements of historical facts, that address activities, events, outcomes and other matters that CE Franklin plans, expects, intends, assumes, believes, budgets, predicts, forecasts, projects, estimates or anticipates (and other similar expressions) will, should or may occur in the future are forward-looking statements. These forward-looking statements are based on management's current belief, based on currently available information, as to the outcome and timing of future events. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements and refer to the Form 20-F or our annual information form for further detail.

For Further Information Contact:

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Management's Discussion and Analysis as at July 23, 2009

The following Management's Discussion and Analysis ("MD&A") is provided to assist readers in understanding CE Franklin Ltd.'s ("CE Franklin" or the "Company") financial performance and position during the periods presented and significant trends that may impact future performance of CE Franklin. This discussion should be read in conjunction with the Company's interim consolidated financial statements for the three and six month periods ended June 30, 2009, the interim consolidated financial statements and MD&A for the three month period ended March 31, 2009, and the MD&A and the consolidated financial statements for the year ended December 31, 2008.

All amounts are expressed in Canadian dollars and in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), except where otherwise noted.

Overview

CE Franklin is a leading distributor of pipe, valves, flanges, fittings, production equipment, tubular products and other general industrial supplies primarily to the oil and gas industry in Canada through its 50 branches situated in towns and cities that serve oil and gas fields of the western Canadian

sedimentary basin. In addition, the Company distributes similar products to the oil sands, midstream, refining, petrochemical industries and non-oilfield related industries such as forestry and mining.

The Company's branch operations service over 3,000 customers by providing the right materials where and when they are needed, for the best value. Our branches, supported by our centralized Distribution Centre in Edmonton, Alberta, stock over 25,000 stock keeping units. This infrastructure enables us to provide our customers with the products they need on a same day or over night basis. Our centralized inventory and procurement capabilities allow us to leverage our scale to enable industry leading hub and spoke purchasing, logistics and project expediting capabilities. Our branches are also supported by services provided by the Company's corporate office in Calgary, Alberta including sales, marketing, product expertise, logistics, invoicing, credit and collection and other business services.

The Company's shares trade on the TSX ("CFT") and NASDAQ ("CFK") stock exchanges. Smith International Inc., a major oilfield service company based in the United States, owns 55% of the Company's shares.

Business and Operating Strategy

The Company is pursuing the following strategies to grow its business profitably:

- Expand the reach and market share serviced by our distribution network. We are focusing our sales efforts and product offering on servicing complex, multi-site needs of large and emerging customers in the energy sector. On June 1, 2009 the Company acquired a western Canadian oilfield equipment distributor. The acquired business operated 22 supply stores across the western Canadian sedimentary basin of which 17 locations are proximate to existing CE Franklin supply stores and have been integrated. The remaining 5 locations will extend the market reach of our distribution network. In 2009, our Fort St. John and Lloydminster branches moved to larger locations to support continued growth. In 2008, we continued to invest in our distribution network by opening a branch operation in Red Earth, Alberta and by expanding our facilities at five existing branch operations. In the spring of 2008, we successfully completed the move to our new 153,000 square foot Distribution Centre and nine acre pipe yard located in Edmonton, Alberta which positions us to service our growing distribution network. Organic growth is expected to be complemented by selected acquisitions such as described above.
- Expand our production equipment service capability to capture more of the product life cycle requirements for the equipment we sell such as down hole pump repair, oilfield engine maintenance, well optimization and on site project management. This will differentiate our service offering from our competitors and deepen our relationship with customers. In the first quarter of 2009, we opened a valve actuation centre at our Distribution Centre, to service our customers' valve automation requirements.
- Focus on the oil sands and industrial project and MRO business by leveraging our existing supply chain infrastructure, product and project expertise. The Company is expanding its product line, supplier relationships and expertise to provide the automation, instrumentation and other specialty products that these customers require.

Business Outlook

The ongoing global recession has contributed to significant capital market volatility, resulting in deleveraging, repricing of risk and ultimately the retrenchment of consumption. Oil and gas markets have experienced similar upheaval. While crude oil prices have rebounded from first quarter lows, natural gas prices remain at the lowest levels seen in a decade. Oil and gas well completions and rig counts have declined sharply in the second quarter compared to 2008 levels and are expected to continue through 2009 and into 2010 at depressed levels. Approximately 60% of the Company's sales are driven by our customers' capital project expenditures.

The Company expects these conditions will contribute to increased consolidation of oil and gas customers, stable to deflationary product costs and improved labour availability. For the balance of 2009 and into 2010, sales levels are expected to decline compared to 2008 as expected lower oilfield sales are partially offset by expected increased sales to oil sands, midstream and industrial product end use

markets. The Company will continue to manage its cost structure in response to weak oil and gas industry demand. The Company has a strong balance sheet and is positioned to pursue its strategies to increase market share in both the conventional oilfield and oil sands markets.

Over the medium to longer term, the Company is confident that it can continue to strengthen and improve the profitability of its distribution network by expanding its product lines, supplier relationships and capability to service additional oil and gas and industrial end use markets.

Operating Results

The following table summarizes CE Franklin's results of operations:

(in millions of Cdn. dollars except per share data)

	Three Months Ended June 30				Six Months Ended June 30			
	2009		2008		2009		2008	
Sales	\$ 109.1	100.0%	\$ 96.4	100.0%	\$ 249.9	100.0%	\$ 237.0	100.0%
Cost of sales	(91.6)	(84.0)%	(77.4)	(80.3)%	(206.0)	(82.4)%	(191.0)	(80.6)%
Gross profit	17.5	16.0%	19.0	19.7%	43.9	17.6%	46.0	19.4%
Selling, general and administrative expenses	(15.8)	(14.5)%	(16.7)	(17.3)%	(32.6)	(13.0)%	(33.6)	(14.2)%
EBITDA⁽¹⁾	1.7	1.6%	2.3	2.4%	11.3	4.5%	12.4	5.2%
Amortization	(0.6)	(0.5)%	(0.6)	(0.6)%	(1.1)	(0.4)%	(1.2)	(0.5)%
Interest	(0.1)	(0.1)%	(0.2)	(0.2)%	(0.4)	(0.2)%	(0.6)	(0.3)%
Income before taxes	1.0	0.9%	1.5	1.6%	9.8	3.9%	10.6	4.5%
Income tax expense	(0.4)	(0.4)%	(0.5)	(0.6)%	(3.2)	(1.3)%	(3.4)	(1.5)%
Net income	0.6	0.5%	1.0	1.0%	6.6	2.6%	7.2	3.0%
Net income per share								
Basic	\$ 0.04		\$ 0.05		\$ 0.37		\$ 0.39	
Diluted	\$ 0.03		\$ 0.05		\$ 0.36		\$ 0.39	
Weighted average number of shares outstanding (000's)								
Basic	17,707		18,278		17,871		18,305	
Diluted	18,151		18,574		18,189		18,601	

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Second Quarter Results

Net income for the second quarter of 2009 was \$0.6 million, down 40% from the second quarter of 2008. Second quarter sales are seasonally low as oilfield project activity is impacted by the spring breakup. Sales were \$109.1 million, an increase of \$12.7 million (13%) compared to the second quarter of 2008 as strong sales to oil sands customers more than offset the decline in oilfield supply sales. Capital project business for the second quarter comprised 58% of total sales (2008 – 54%), and increased \$11.6 million (22%) over the prior year period due to continued growth of oil sands revenues. Gross profit for the second quarter was down \$1.5 million with gross profit margins reducing by 3.7% from the prior year

period to 16.0%. The decrease is a result of the increase in lower margin oil sands sales. Selling, general and administrative expenses decreased by \$0.9 million for the quarter compared to the prior year period as compensation, selling and marketing costs have been managed lower in response to the reduced oil and gas industry activity levels. The weighted average number of shares outstanding during the second quarter decreased by 0.6 million shares (3%) from the prior year period principally due to shares purchased for cancellation pursuant to the Company's normal course issuer bid. Net income per share (basic) was \$0.04 in the second quarter of 2009, down \$0.01 (20%) from that earned in the second quarter 2008.

On June 1, 2009, the Company acquired an oilfield supply competitor for \$12.0 million, subject to post closing adjustments. The acquired business operated 22 oilfield supply stores across the western Canadian sedimentary basin of which 17 locations are proximate to CE Franklin stores and are being integrated. The remaining 5 locations extend the market reach of CE Franklin's distribution network to 50 locations. The acquisition is expected to increase CE Franklin's annualized sales by more than 10% from current levels. The acquisition contributed sales of approximately \$4.0 million in the second quarter and a net operating loss before tax of \$0.3 million. The integration of the acquisition is well advanced and is expected to contribute positive earnings in the third quarter.

Year to Date Results

Net income for the first half of 2009 was \$6.6 million, down \$0.6 million from the first half of 2008. Sales were \$249.9 million, an increase of \$12.9 million (5%) compared to the first half of 2008. Capital project business for the first half of 2009 comprised 60% of total sales (2008 – 55%), and increased \$21.1 million (16%) over the prior year period due to increased oil sands, midstream and industrial project sales. Gross profit for the first six months was down \$2.1 million with margins reducing by 1.8% from the prior year period. The decrease is a result of the increase in lower margin oil sands sales and increased competitive pressure. Selling, general and administrative expenses decreased by \$1.0 million for the first half compared to the prior year period as compensation, selling and marketing costs have been managed lower in response to the reduced oil and gas industry activity levels. The weighted average number of shares outstanding during the first half of the year decreased by 0.4 million shares (2%) from the prior year period principally due to shares purchased in 2009 for cancellation pursuant to the Company's normal course issuer bid. Net income per share (basic) was \$0.37 in the first half of 2009, down \$0.02 (5%) from the first half of 2008.

A more detailed discussion of the Company's second quarter results from operations is provided below:

Sales

Sales for the quarter ended June 30, 2009 were \$109.1 million, an increase of \$12.7 million (13%) compared to the quarter ended June 30, 2008, as detailed above in the "Second Quarter Results" discussion.

(in millions of Cdn. \$)

	Three months ended June 30				Six months ended June 30			
	2009		2008		2009		2008	
End use sales demand:	\$	%	\$	%	\$	%	\$	%
Capital projects	63.7	58	52.1	54	151.2	60	130.1	55
Maintenance, repair and operating supplies (MRO)	45.4	42	44.3	46	98.7	40	106.9	45
Total sales	109.1	100	96.4	100	249.9	100	237.0	100

Note: Capital project end use sales are defined by the Company as consisting of tubulars and 80% of pipe, flanges and fittings; and valves and accessories product sales respectively; MRO Sales are defined by the Company as consisting of pumps and production equipment, production services; general product and 20% of pipes, flanges and fittings; and valves and accessory product sales respectively.

The Company uses oil and gas well completions and average rig counts as industry activity measures to assess demand for oilfield equipment used in capital projects. Oil and gas well completions require the products sold by the Company to complete a well and bring production on stream and are a good general indicator of energy industry activity levels. Average drilling rig counts are also used by management to assess industry activity levels as the number of rigs in use ultimately drives well completion requirements.

The relative level of oil and gas commodity prices are a key driver of industry capital project activity as product prices directly impact the economic returns realized by oil and gas companies. Well completion, rig count and commodity price information for the three and six months ended 2009 and 2008 are provided in the table below.

	Q2 Average		% change	YTD Average		% change
	2009	2008		2009	2008	
Gas - Cdn. \$/gj (AECO spot)	\$3.46	\$10.22	(66%)	\$4.19	\$9.09	(54%)
Oil - Cdn. \$/bbl (Synthetic Crude)	\$67.42	\$125.84	(46%)	\$61.87	\$112.05	(45%)
Average rig count	95	180	(47%)	207	337	(39%)
Well completions:						
Oil	422	940	(55%)	1,376	2,242	(39%)
Gas	852	1,667	(49%)	3,845	4,960	(22%)
Total well completions	1,274	2,607	(51%)	5,221	7,202	(28%)

Average statistics are shown except for well completions.

Sources: Oil and Gas prices – First Energy Capital Corp.; Rig count data – CAODC; Well completion data – Daily Oil Bulletin

Sales of capital project related products were \$63.7 million in the second quarter of 2009, up \$11.6 million (22%) from the second quarter of 2008 due to increased oil sands and midstream project sales. Total well completions decreased by 51% in the second quarter of 2009 and the average working rig count decreased by 47% compared to the prior year period. Gas wells comprised 67% of the total wells completed in western Canada in the second quarter of 2009 compared to 64% in the second quarter of 2008. Spot gas prices ended the second quarter at \$3.18 per GJ (AECO) a decrease of 24% from the second quarter average price. Oil prices ended the second quarter at \$79.33 per bbl (Synthetic Crude) an increase of 28% from the second quarter average price but have subsequently moderated. Continued depressed oil and gas prices are expected to result in reduced industry cash flow, access to capital and capital expenditure economics, which in turn is expected to decrease demand for the Company's products through the remainder of 2009 and into 2010.

MRO product sales are related to overall oil and gas industry production levels and tend to be more stable than capital project sales. MRO product sales for the quarter ended June 30, 2009 increased by \$1.1 million (2%) to \$45.4 million compared to the quarter ended June 30, 2008 and comprised 42% of the Company's total sales (2008 – 46%).

The Company's strategy is to grow profitability by focusing on its core western Canadian oilfield equipment service business, complemented by an increase in the product life cycle services provided to its customers and the focus on the emerging oil sands capital project and MRO sales opportunities. Sales results of these initiatives to date are provided below:

Sales (\$millions)	Q2 2009		Q2 2008		YTD 2009		YTD 2008	
	\$	%	\$	%	\$	%	\$	%
Oilfield	68.1	63	89.2	92	194.4	78	223.0	94
Oil sands	38.6	35	3.7	4	51.0	20	6.1	3
Production services	2.4	2	3.5	4	4.5	2	7.9	3
Total sales	109.1	100	96.4	100	249.9	100	237.0	100

Sales of oilfield products to conventional western Canada oil and gas end use applications were \$68.1 million for the second quarter of 2009, down 24% from the second quarter of 2008. This decrease was driven by the 51% decrease in well completions compared to the prior year period, offset mainly by increased midstream and industrial project revenue.

Sales to oil sands end use applications increased to \$38.6 million in the second quarter compared to \$3.7 million in the second quarter of 2008. The increase in sales was mainly due to a large sale of pipe. The Company continues to position its sales focus and Distribution Centre and Fort McMurray branch to penetrate this emerging market for capital project and MRO products.

Production service sales were \$2.4 million in the second quarter of 2009 compared to \$3.5 million in the second quarter of 2008 as customers deferred maintenance activities in the face of challenging commodity prices.

Gross Profit

	<u>Q2 2009</u>	<u>Q2 2008</u>	<u>YTD 2009</u>	<u>YTD 2008</u>
Gross profit (<i>millions</i>)	\$17.5	\$19.0	\$43.9	\$46.0
Gross profit margin as a % of sales	16.0%	19.7%	17.6%	19.4%
Gross profit composition by product sales category:				
Tubulars	2%	8%	7%	8%
Pipe, flanges and fittings	37%	23%	36%	25%
Valves and accessories	20%	19%	18%	20%
Pumps, production equipment and services	11%	17%	11%	16%
General	30%	33%	28%	31%
Total gross profit	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Gross profit was \$17.5 million in the second quarter of 2009, and gross profit margins were 16.0%, a decrease of \$1.5 million and 3.7% from the prior year second quarter. Gross profit composition in the second quarter of 2009 saw a shift from pumps, production equipment, services and general categories into pipe, fitting and flange categories reflecting the increase in oil sands sales. Tubular sales and margins are down due to depressed drilling activity.

Selling, General and Administrative (“SG&A”) Costs

<i>(\$millions)</i>	<u>Q2 2009</u>		<u>Q2 2008</u>		<u>YTD 2009</u>		<u>YTD 2008</u>	
	\$	%	\$	%	\$	%	\$	%
People costs	8.7	55	9.1	54	18.8	57	19.4	58
Selling costs	1.8	11	2.1	13	3.5	11	4.3	13
Facility and office costs	3.4	22	3.5	21	6.7	21	6.1	18
Other	1.9	12	2.0	12	3.6	11	3.8	11
SG&A costs	<u>15.8</u>	<u>100</u>	<u>16.7</u>	<u>100</u>	<u>32.6</u>	<u>100</u>	<u>33.6</u>	<u>100</u>
SG&A costs as % of sales	14%		17%		13%		14%	

SG&A costs decreased by \$0.9 million (5%) in the second quarter of 2009 compared to the prior year period. The decrease in people costs of \$0.4 million is mainly due to reduced employee count, incentive compensation and other cost reduction programs in response to lower oilfield and production service sales levels. Selling costs were down \$0.3 million compared to the prior year period due mainly to reduced advertising and promotion expense and accounts receivable bad debt allowances. Facility and office costs remained flat in the second quarter compared to the prior year period. The acquisition of the oilfield supply business on June 1, 2009 contributed \$1.0 million of SG&A costs in the second quarter. SG&A costs are expected to decrease in the third quarter as the integration of this business is completed. The Company leases 40 of its 50 branch locations as well as its corporate office in Calgary and Edmonton Distribution Centre. Six branch locations are owned and four are operated by agents. The Company is continuing to take steps to reduce its variable and fixed costs to adjust to expected lower industry activity levels.

Amortization Expense

Amortization expense of \$0.6 million in the second quarter of 2009 was comparable to the second quarter of 2008

Interest Expense

Interest expense of \$0.2 million in the second quarter of 2009 was comparable to the second quarter of 2008.

Foreign Exchange (Gain) Loss

Foreign exchange (gains) and losses were nominal in both the second quarter of 2009 and the second quarter of 2008. The Company's foreign exchange policy has contributed to this result despite significant exchange rate volatility in both 2008 and the first half of 2009.

Income Tax Expense

The Company's effective tax rate for the second quarter of 2009 was 37.5%, compared to 35.2% in the second quarter of 2008. Substantially all of the Company's tax provision is currently payable.

Summary of Quarterly Financial Data

The selected quarterly financial data presented below is presented in Canadian dollars and in accordance with Canadian GAAP. This information is derived from the Company's unaudited quarterly financial statements.

(in millions of Cdn. dollars except per share data)

Unaudited	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009
Sales	\$ 116.8	\$ 112.3	\$ 140.6	\$ 96.4	\$ 149.3	\$ 161.2	\$ 140.7	\$ 109.1
Gross profit	21.0	20.4	27.1	19.0	27.8	33.9	26.4	17.5
Gross profit %	18.0%	18.2%	19.2%	19.7%	18.6%	21.0%	18.8%	16.0%
EBITDA	7.4	5.1	10.2	2.3	9.1	14.3	9.5	1.7
EBITDA as a % of sales	6.4%	4.5%	7.2%	2.4%	6.1%	8.9%	6.8%	1.6%
Net income	4.1	2.4	6.3	1.0	5.7	8.8	6.0	0.6
Net income as a % of sales	3.6%	2.1%	4.5%	1.0%	3.8%	5.5%	4.3%	0.5%
Net income per share								
Basic	\$ 0.22	\$ 0.13	\$ 0.34	\$ 0.05	\$ 0.31	\$ 0.48	\$ 0.33	\$ 0.04
Diluted	\$ 0.22	\$ 0.13	\$ 0.34	\$ 0.05	\$ 0.31	\$ 0.47	\$ 0.33	\$ 0.03
Net working capital ⁽¹⁾	128.7	134.7	117.4	114.9	123.1	142.8	153.2	137.0
Bank operating loan ⁽¹⁾	35.4	44.3	21.8	18.4	20.9	34.9	40.2	25.3
Total well completions	3,877	5,026	4,595	2,607	4,392	6,971	3,947	1,274

⁽¹⁾ Net working capital and bank operating loan amounts are as at quarter end.

The Company's sales levels are affected by weather conditions. As warm weather returns in the spring each year, the winter's frost comes out of the ground rendering many secondary roads incapable of supporting the weight of heavy equipment until they have dried out. In addition, many exploration and production areas in northern Canada are accessible only in the winter months when the ground is frozen. As a result, the first and fourth quarters typically represent the busiest time for oil and gas industry activity and the highest sales activity for the Company. Sales levels drop dramatically during the second quarter until such time as roads have dried and road bans have been lifted. This typically results in a significant reduction in earnings during the second quarter, as the decline in sales typically outpaces the decline in SG&A costs as the majority of the Company's SG&A costs are fixed in nature. Net working capital (defined as current assets less accounts payable and accrued liabilities, income taxes payable and other current liabilities, excluding the bank operating loan) and bank operating loan borrowing levels follow similar seasonal patterns as sales.

Liquidity and Capital Resources

The Company's primary internal source of liquidity is cash flow from operating activities before net changes in non-cash working capital balances. Cash flow from operating activities and the Company's 364-day bank operating facility are used to finance the Company's net working capital, capital expenditures required to maintain its operations, and growth capital expenditures.

As at June 30, 2009, borrowings under the Company's bank operating loan were \$25.3 million, a decrease of \$9.6 million from December 31, 2008. Borrowing levels have decreased due to the company

generating \$8.8 million in cash flow from operating activities, before net changes in non-cash working capital balances and a \$13.1 million reduction in net working capital. This was offset by \$1.6 million in capital and other expenditures, \$8.1 million related to the acquisition of the oilfield equipment distributor and \$2.6 million for the purchase of shares to resource stock compensation obligations and the repurchase of shares under the Company's Normal Course Issuer Bid ("NCIB"). The remaining \$3.9 million acquisition cost payable (subject to post closing adjustments) is expected to be paid in the third quarter.

Net working capital was \$137.0 million at June 30, 2009, a decrease of \$5.8 million from December 31, 2008. Accounts receivable decreased by \$43.4 million (43%) to \$57.1 million at June 30, 2009 from December 31, 2008 due to the seasonal decrease in sales in the second quarter and an improvement in days sales outstanding ("DSO"). DSO in the second quarter of 2009 was 44 days compared to 52 days in the first quarter of 2009 and 73 days in the second quarter of 2008. The improvement in DSO performance compared to the first quarter of 2009 reflected good collections performance, as well as the non-recurring impact of the business acquisition as no receivables were acquired with the business. The second quarter 2008 DSO result was impacted by temporary issues associated with the implementation of a new invoicing system. DSO is calculated using average sales per day for the quarter compared to the period end accounts receivable balance. Inventory decreased by \$0.6 million at June 30, 2009 from December 31, 2008. Inventory was down approximately \$11.6 million prior to the \$11.0 million of inventory that was acquired with the oilfield supply business on June 1. Inventory turns for the second quarter of 2009 decreased to 3.1 times compared to 4.0 times in the first quarter of 2009 and 3.7 times in the second quarter of 2008. Inventory turns are calculated using cost of goods sold for the quarter on an annualized basis compared to the period end inventory balance. The Company plans to adjust its investment in inventory as the acquired business is integrated and to align with anticipated lower industry activity levels and compressed supplier lead times in order to improve inventory turnover efficiency. Accounts payable and accrued liabilities decreased by \$41.6 million (50%) to \$41.7 million at June 30, 2009 from December 31, 2008 responsive to the decreased activity levels.

Capital expenditures in the second quarter of 2009 were \$1.1 million, comparable to \$1.2 million in the prior year period. The majority of the expenditures in 2009 have been directed towards branch facility expansions.

The Company has a 364 day bank operating loan facility in the amount of \$60.0 million arranged with a syndicate of three banks that matures in July 2010. The loan facility bears interest based on floating interest rates and is secured by a general security agreement covering all assets of the Company. The maximum amount available under the facility is subject to a borrowing base formula applied to accounts receivable and inventories, and a covenant restricting the Company's average debt to 3.0 times trailing twelve month EBITDA. As at June 30, 2009, the Company's average debt to EBITDA ratio was 0.9 times (June 30, 2008 – 1.2 times) which provides a maximum borrowing ability of \$60 million under the facility. As at June 30, 2009, the ratio of the Company's debt to total capitalization (debt plus equity) was 15% (June 30, 2008 – 13%).

Contractual Obligations

There have been no material changes in off-balance sheet contractual commitments since December 31, 2008.

Capital Stock

As at June 30, 2009 and 2008, the following shares and securities convertible into shares were outstanding:

<i>(millions)</i>	June 30, 2009	June 30, 2008
	Shares	Shares
Shares outstanding	17.7	18.3
Stock options	1.2	1.3
Share units	0.5	0.2
Shares outstanding and issuable	19.4	19.8

The weighted average number of shares outstanding during the second quarter 2009 was 17.7 million, a

decrease of 0.6 million shares from the prior year's second quarter due principally to the purchases of common shares under its NCIB and to resource restricted share unit obligations. The diluted weighted average number of shares outstanding was 18.2 million, a decrease of 0.4 million shares from the prior year's second quarter.

The Company has established an independent trust to purchase common shares of the Company on the open market to resource restricted share unit obligations. During the three and six month period ended June 30, 2009, 25,000 and 75,000 common shares were acquired by the trust at an average cost per share of \$5.68 and \$5.23 respectively (Three and six months ended June 30, 2008 – 25,000 and 100,000 at an average cost per share of \$9.06 and \$7.23 respectively). As at June 30, 2009, the trust held 366,087 shares (June 30, 2008 – 151,257 shares).

On January 6, 2009, the Company announced a NCIB to purchase for cancellation, up to 900,000 common shares representing approximately 5% of its outstanding common shares. As at June 30, 2009, the Company had purchased 454,848 shares at cost of \$2.3 million (\$4.98 per share).

Critical Accounting Estimates

There have been no material changes to critical accounting estimates since December 31, 2008. The Company is not aware of any environmental or asset retirement obligations that could have a material impact on its operations.

Change in Accounting Policies

Effective January 1, 2009, the Company adopted section 3064 – Goodwill and Intangible Assets. The standard addresses the accounting treatment of internally developed intangibles and the recognition of such assets. The adoption of this Standard has had no impact on the Company.

The Company has developed a high level IFRS project plan, a detailed project charter including resources required and timelines, and has commenced assessing the differences between IFRS and Canadian GAAP.

Controls and Procedures

Internal control over financial reporting ("ICFR") is designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and its compliance with Canadian GAAP in its financial statements. The President and Chief Executive Officer and the Vice President and Chief Financial Officer of the Company have evaluated whether there were changes to its ICFR during the six months ended June 30, 2009 that have materially affected or are reasonably likely to materially affect the ICFR. No such changes were identified through their evaluation.

Risk Factors

The Company is exposed to certain business and market risks including risks arising from transactions that are entered into the normal course of business, which are primarily related to interest rate changes and fluctuations in foreign exchange rates. During the reporting period, no events or transactions for year ended December 31, 2008 have occurred that would materially change the information disclosed in the Company's Form 20F.

Forward Looking Statements

The information in this MD&A may contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical facts, that address activities, events, outcomes and other matters that CE Franklin plans, expects, intends, assumes, believes, budgets, predicts, forecasts, projects, estimates or anticipates (and other similar expressions) will, should or may occur in the future are forward-looking statements. These forward-looking statements are based on management's current belief, based on currently available information, as to the outcome and timing of future events. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this MD&A, including those in under the caption "**Risk factors**".

Forward-looking statements appear in a number of places and include statements with respect to, among other things:

- forecasted oil and gas industry activity levels in 2009 and 2010;
- planned capital expenditures and working capital and availability of capital resources to fund capital expenditures and working capital;
- the Company's future financial condition or results of operations and future revenues and expenses;
- the Company's business strategy and other plans and objectives for future operations;
- fluctuations in worldwide prices and demand for oil and gas;
- fluctuations in the demand for the Company's products and services.

Should one or more of the risks or uncertainties described above or elsewhere in this MD&A occur, or should underlying assumptions prove incorrect, the Company's actual results and plans could differ materially from those expressed in any forward-looking statements.

All forward-looking statements expressed or implied, included in this MD&A and attributable to CE Franklin are qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that CE Franklin or persons acting on its behalf might issue. CE Franklin does not undertake any obligation to update any forward-looking statements to reflect events or circumstances after the date of filing this MD&A, except as required by law.

Additional Information

Additional information relating to CE Franklin, including its second quarter 2009 Management Discussion and Analysis and interim consolidated financial statements and its Form 20-F / Annual Information Form, is available under the Company's profile on the SEDAR website at www.sedar.com and at www.cefranklin.com

CE Franklin Ltd.

Interim Consolidated Balance Sheets - Unaudited

(in thousands of Canadian dollars)	June 30 2009	December 31 2008
Assets		
Current assets		
Accounts receivable	57,118	100,513
Inventories	118,850	119,459
Other	2,722	9,529
	178,690	229,501
Property and equipment	11,078	9,528
Goodwill	20,570	20,570
Future income taxes (note 5)	1,117	1,186
Other	446	649
	211,901	261,434
Liabilities		
Current liabilities		
Bank operating loan	25,277	34,948
Accounts payable and accrued liabilities	41,683	83,258
Income taxes payable (note 5)	-	3,405
	66,960	121,611
Long term debt and capital lease obligations	500	500
	67,460	122,111
Shareholders' Equity		
Capital stock	22,737	22,498
Contributed surplus	18,756	18,835
Retained earnings	102,948	97,990
	144,441	139,323
	211,901	261,434

See accompanying notes to these interim consolidated financial statements.

CE Franklin Ltd.
Interim Consolidated Statements of Operations - Unaudited

	<u>Three months ended</u>		<u>Six months Ended</u>	
<i>(in thousands of Canadian dollars except shares and per share amounts)</i>	June 30 2009	June 30 2008	June 30 2009	June 30 2008
Sales	109,125	96,395	249,865	236,977
Cost of sales	91,630	77,442	206,002	190,963
Gross profit	17,495	18,953	43,863	46,014
Other expenses				
Selling, general and administrative expenses	15,782	16,735	32,642	33,608
Amortization	586	594	1,141	1,211
Interest expense	154	163	347	601
Foreign exchange gain	(30)	(8)	(29)	(10)
	16,492	17,484	34,101	35,410
Income before income taxes	1,003	1,469	9,762	10,604
Income tax expense (recovery) (note 5)				
Current	529	651	3,064	3,583
Future	(153)	(134)	69	(213)
	376	517	3,133	3,370
Net income and comprehensive income	627	952	6,629	7,234
Net income per share (note 4)				
Basic	0.04	0.05	0.37	0.39
Diluted	0.03	0.05	0.36	0.39
Weighted average number of shares outstanding (000's)				
Basic	17,707	18,278	17,871	18,305
Diluted (note 4e)	18,151	18,574	18,189	18,601

See accompanying notes to these interim consolidated financial statements.

CE Franklin Ltd.

Interim Consolidated Statements of Cash Flow - Unaudited

	<u>Three months ended</u>		<u>Six months ended</u>	
	<u>June 30</u>	<u>June 30</u>	<u>June 30</u>	<u>June 30</u>
<i>(in thousands of Canadian dollars)</i>	2009	2008	2009	2008
Cash flows from operating activities				
Net income for the period	627	952	6,629	7,234
Items not affecting cash -				
Amortization	586	594	1,141	1,211
Gain on disposal of assets	(45)	-	(45)	-
Future income tax recovery	(153)	(134)	69	(213)
Stock based compensation expense	676	552	983	846
	1,691	1,964	8,777	9,078
Net change in non-cash working capital balances related to operations -				
Accounts receivable	33,529	28,027	43,395	4,988
Inventories	6,669	(5,050)	11,559	3,465
Other current assets	(285)	(3,375)	7,718	(1,755)
Accounts payable and accrued liabilities	(15,983)	(14,698)	(45,368)	13,068
Income taxes payable	(565)	(2,514)	(4,190)	132
	25,056	4,354	21,891	28,976
Cash flows (used in) / from financing activities				
Decrease in bank operating loan	(14,887)	(3,420)	(9,680)	(26,610)
Issuance of capital stock	48	48	166	49
Purchase of capital stock through normal course issuer bid	(881)	-	(2,266)	-
Purchase of capital stock in trust for Share Unit Plans	(141)	(227)	(394)	(723)
	(15,861)	(3,599)	(12,174)	(27,284)
Cash flows (used in) / from investing activities				
Purchase of property and equipment	(1,070)	(1,196)	(1,592)	(2,133)
Business acquisition (note 2)	(8,125)	441	(8,125)	441
	(9,195)	(755)	(9,717)	(1,692)
Change in cash and cash equivalents during the period	-	-	-	-
Cash and cash equivalents- Beginning and end of period	-	-	-	-
Cash paid during the period for:				
Interest on bank operating loan	154	163	347	601
Income taxes	1,094	2,407	7,254	2,570

See accompanying notes to these interim consolidated financial statements.

CE Franklin Ltd.

Interim Consolidated Statements of Changes in Shareholders' Equity - Unaudited

(in thousands of Canadian dollars and number of shares)

	Capital Stock		Contributed Surplus	Retained Earnings	Shareholders' Equity
	Number of Shares	\$			
Balance - December 31, 2007	18,370	24,306	17,671	76,243	118,220
Stock based compensation expense	-	-	845	-	845
Stock options exercised	10	70	(20)	-	50
Share Units exercised	3	62	(62)	-	-
Purchase of shares in trust for Share Unit Plans	(100)	(723)	-	-	(723)
Net income	-	-	-	7,234	7,234
Balance - June 30, 2008	18,283	23,715	18,434	83,477	125,626
Balance - December 31, 2008	18,094	22,498	18,835	97,990	139,323
Stock based compensation expense	-	-	983	-	983
Normal Course Issuer Bid	(455)	(595)	-	(1,671)	(2,266)
Stock options exercised	55	248	(82)	-	166
Share Units exercised	53	980	(980)	-	-
Purchase of shares in trust for Share Unit Plans	(75)	(394)	-	-	(394)
Net income	-	-	-	6,629	6,629
Balance - June 30, 2009	17,672	22,737	18,756	102,948	144,441

See accompanying notes to these interim consolidated financial statements.

CE Franklin Ltd.

Notes to Interim Consolidated Financial Statements - Unaudited

(tabular amounts in thousands of Canadian dollars except share and per share amounts)

Note 1 - Accounting Policies

These interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada applied on a consistent basis with CE Franklin Ltd.'s (the "Company") annual consolidated financial statements for the year ended December 31, 2008, except for the adoption of section 3064, as detailed below. These interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements and the notes thereto for the year ended December 31, 2008, but do not include all disclosures required by GAAP for annual financial statements.

Effective January 1, 2009 the Company adopted section 3064 – Goodwill and Intangible Assets. The standard addresses the accounting treatment of internally developed intangibles and the recognition of such assets. The adoption of this Standard has had no impact on the Company.

Recent Canadian GAAP pronouncements include section 1582- Business Combinations, CICA 1601 – Consolidated Financial Statements and CICA 1602 – Non-Controlling interests. The overall objective of the standards issued was to update the standards pertaining to business combinations and allow convergence with IFRS by January 1, 2011. The adoption of these Standards is expected to have no impact on the Company.

These unaudited interim consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented; all such adjustments are of a normal recurring nature.

The Company's sales typically peak in the first quarter when drilling activity is at its highest levels. They then decline through the second and third quarters, rising again in the fourth quarter when preparation for the new drilling season commences. Similarly, net working capital levels are typically at seasonally high levels at the end of the first quarter, declining in the second and third quarters, and then rising again in the fourth quarter.

Note 2- Business Acquisition

On June 1, 2009, the Company acquired a western Canadian oilfield equipment distributor, for a total cost of \$11.95 million, subject to post closing adjustments.

Using the purchase method of accounting for acquisitions, the Company consolidated the assets from the acquisition date and allocated the consideration paid as follows:

<u>As at June 30, 2009</u>	<u>\$'000</u>
Cash consideration paid	8,100
Acquisition cost payable	3,850
Total consideration	<u>11,950</u>
Net assets acquired	
Inventory	10,950
Property, plant and equipment	1,000
	<u>11,950</u>

Note 3 – Inventory

Inventories consisting primarily of goods purchased for resale are valued at the lower of average cost or net realizable value. Inventory obsolescence expense was recognized in the three and six month period ending June 30, 2009 of nil and \$945,000 respectively (2008 - \$90,000 and \$326,000). As at June 30, 2009 and December 31, 2008 the Company had recorded reserves for inventory obsolescence of \$6.8 million and \$2.8 million respectively.

CE Franklin Ltd.

Notes to Interim Consolidated Financial Statements - Unaudited

(tabular amounts in thousands of Canadian dollars except share and per share amounts)

Note 4 – Share Data

At June 30, 2009, the Company had 17.7 million common shares and 1.2 million options outstanding to acquire common shares at a weighted average exercise price of \$5.95 per common share, of which 769,616 options were vested and exercisable at a weighted average exercise price of \$5.01 per common share.

a) Stock options

Option activity for each of the six month periods ended June 30 was as follows:

000's	2009	2008
Outstanding at January 1	1,294	1,262
Granted	-	75
Exercised	(55)	(10)
Forfeited	(33)	(1)
Outstanding at June 30	1,206	1,326

There were no options granted during the three and six month periods ended June 30, 2009. A total of 75,588 stock options were granted at a weighted average strike price of \$6.26 in the six month period ended June 30, 2008 for a fair value of \$274,000. The fair value of the options granted was estimated as at the grant date using the Black-Scholes option pricing model, using the following assumptions:

	2008
Dividend yield	Nil
Risk-free interest rate	3.88%
Expected life	5 years
Expected volatility	50%

Stock option compensation expense recorded in the three and six month periods ended June 30, 2009 was \$177,000 (2008 - \$180,000) and \$355,000 (2008- \$350,000), respectively.

Subsequent to June 30, 2009, the Company modified its current option plan to include a cash settlement mechanism.

b) Share Unit Plans

The Company has Restricted Share Unit ("RSU"), Performance Share Unit ("PSU") and Deferred Share Unit ("DSU") plans (collectively the "Share Unit Plans"), where by RSU's, PSU's and DSU's are granted entitling the participant, at the Company's option, to receive either a common share or cash equivalent value in exchange for a vested unit. For the PSU plan the number of units granted is dependent on the Company meeting certain return on net asset ("RONA") performance thresholds during the year of grant. The multiplier within the plan ranges from 0% - 200% dependant on performance. The vesting period for RSU's and PSU's is three years from the grant date. DSU's vest on the date of grant. Compensation expense related to the units granted is recognized over the vesting period based on the fair value of the units at the date of the grant and is recorded to compensation expense and contributed surplus. The contributed surplus balance is reduced as the vested units are exchanged for either common shares or cash. Share Unit Plan activity for the six month periods ended June 30 was as follows:

000's	2009			Total	2008			Total
	RSU	PSU	DSU		RSU	PSU	DSU	
Outstanding at January 1	161	-	70	231	178	-	37	215
Granted	176	161	28	365	1	-	33	34
Exercised	(53)	-	-	(53)	(3)	-	-	(3)
Forfeited	-	-	-	-	-	-	-	-
Outstanding at June 30	284	161	98	543	176	-	70	246

CE Franklin Ltd.

Notes to Interim Consolidated Financial Statements - Unaudited

(tabular amounts in thousands of Canadian dollars except share and per share amounts)

Share Unit Plan compensation expense recorded in the three and six month periods ended June 30, 2009 were \$501,000 (2008- \$373,000) and \$628,000 (2008- \$495,000) respectively.

c) The Company purchases its common shares on the open market to satisfy Share Unit Plan obligations through an independent trust. The trust is considered to be a variable interest entity and is consolidated in the Company's financial statements with the number and cost of shares held in trust, reported as a reduction of capital stock. During the three and six month periods ended June 30, 2009, 25,000 and 75,000 common shares were acquired, respectively, by the trust (2008 – 25,000 and 100,000) at a cost of \$142,000 for the three month and \$394,000 for the six month period (2008 - \$227,000 and \$723,000).

d) Normal Course Issuer Bid ("NCIB")

On January 6, 2009, the Company announced a NCIB to purchase for cancellation, up to 900,000 common shares representing approximately 5% of its outstanding common shares. As at June 30, 2009, the Company had purchased 454,848 shares at a cost of \$2,266,000.

e) Reconciliation of weighted average number of diluted common shares outstanding (in 000's)

The following table summarizes the common shares in calculating net earnings per share.

	Three Months Ended		Six Months Ended	
	June 30 2009	June 30 2008	June 30 2009	June 30 2008
Weighted average common shares outstanding- basic	17,707	18,278	17,871	18,305
Effect of Stock options and Share Unit Plans	444	296	318	296
Weighted average common shares outstanding- diluted	18,151	18,574	18,189	18,601

Note 5 – Income taxes

a) The difference between the income tax provision recorded and the provision obtained by applying the combined federal and provincial statutory rates is as follows:

	Three Months Ended				Six Months Ended			
	June 30 2009	%	June 30 2008	%	June 30 2009	%	June 30 2008	%
Income before income taxes	1,003		1,469		9,762		10,604	
Income taxes calculated at expected rates	294	29.3	437	29.7	2,859	29.3	3,173	29.9
Non-deductible items	(7)	(0.7)	116	7.9	158	1.6	199	1.9
Capital and large corporations taxes	14	1.4	15	1.0	30	0.3	23	0.2
Adjustments on filing returns & other	75	7.5	(51)	(3.4)	86	0.9	(25)	(0.2)
	376	37.5	517	35.2	3,133	32.1	3,370	31.8

As at June 30, 2009 included in other current assets are income taxes receivable of \$785,000 (December 31 2008 – \$3,405,000 payable).

b) Future income taxes reflect the net effects of temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purpose. Significant components of future income tax assets and liabilities are as follows:

CE Franklin Ltd.

Notes to Interim Consolidated Financial Statements - Unaudited

(tabular amounts in thousands of Canadian dollars except share and per share amounts)

As at June 30	2009	2008
Assets		
Property and equipment	809	963
Share Unit Plan expense	508	922
Other	158	80
	<u>1,475</u>	<u>1,965</u>
Liabilities		
Goodwill and other	358	346
Net future income tax asset	<u>1,117</u>	<u>1,619</u>

The Company believes it is more likely than not that all future income tax assets will be realized.

Note 6- Capital Management

The Company's primary source of capital is its shareholders' equity and cash flow from operating activities before net changes in non-cash working capital balances. The Company augments these capital sources with a \$60 million, 364 day bank operating loan facility which is used to finance its net working capital and general corporate requirements. The bank operating facility is arranged through a syndicate of three banks and matures in July 2010.

The maximum amount available to borrow under this facility is subject to a borrowing base formula applied to accounts receivable and inventories, and a covenant restricting the Company's average guaranteed debt to 3.0 times trailing 12 month earnings before interest, amortization and taxes. As at June 30, 2009, this ratio was 0.9 times (December 31, 2008 – 0.7 times) and the maximum amount available to be borrowed under the facility was \$60 million. In management's opinion, the Company's available borrowing capacity under its bank operating facility and ongoing cash flow from operations, are sufficient to resource its anticipated contractual commitments. The facility contains certain other restrictive covenants, which the Company was in compliance with as at June 30, 2009.

Note 7 – Financial Instruments and Risk Management

a) Fair Values

The Company's financial instruments recognized on the consolidated balance sheet consist of accounts receivable, accounts payable and accrued liabilities, bank operating loan, long term debt and obligations under capital leases. The fair values of these financial instruments, excluding the bank operating loan, long term debt and obligations under capital leases, approximate their carrying amounts due to their short-term maturity. At June 30, 2009, the fair value of the bank operating loan and obligations under capital leases approximated their carrying values due to their floating interest rate nature and short term maturity.

b) Credit Risk

A substantial portion of the Company's accounts receivable balance is with customers in the oil and gas industry and is subject to normal industry credit risks. The Company follows a program of credit evaluations of customer's and limits the amount of credit extended when deemed necessary.

The Company maintains provisions for possible credit losses that are charged to selling, general and administrative expenses by performing an analysis of specific accounts. Movement of the allowance for credit losses for the six month periods ended June 30 was as follows:

As at June 30	2009	2008
Opening balance	2,776	1,454
Increase during period	112	1,082
Write-offs	(425)	-
Closing balance	<u>2,463</u>	<u>2,536</u>

Trade receivables over 90 days were 13% of total trade receivables as at June 30, 2009 (2008 – 12%).

CE Franklin Ltd.

Notes to Interim Consolidated Financial Statements - Unaudited

(tabular amounts in thousands of Canadian dollars except share and per share amounts)

c) Market Risk

The Company is exposed to market risk from changes in the Canadian prime interest rate which can impact its borrowing costs. The Company purchases certain products in US dollars and sells such products to its customers typically priced in Canadian dollars, thus leading to accounts receivable and accounts payable balances that are subject to foreign exchange gains and losses upon translation. As a result, fluctuations in the value of the Canadian dollar relative to the US dollar can result in foreign exchange gains and losses.

d) Risk Management

From time to time the Company enters into foreign exchange forward contracts to manage its foreign exchange market risk by fixing the value of its liabilities and future purchase commitments. The Company's foreign exchange risk arises principally from the settlement of the United States dollar denominated net working capital balances as a result of product purchases denominated in United States dollars. As at June 30, 2009, the Company had no outstanding contracts.

Note 8 – Related Party Transactions

Smith International Inc. ("Smith") owns approximately 55% of the Company's outstanding shares. The Company is the exclusive distributor in Canada of down hole pump production equipment manufactured by Wilson Supply, a division of Smith. Purchases of such equipment conducted in the normal course on commercial terms were as follows:

	June 30 2009	June 30 2008
Cost of sales for the three months ended	771	2,311
Cost of sales for the six months ended	2,445	5,368
Inventory	3,920	4,578
Accounts payable and accrued liabilities	603	22

The Company pays facility rental expense to an operations manager in the capacity of landlord, reflecting market based rates. For the three and six month period ended June 30, 2009, these costs totaled \$124,000 and \$334,000 respectively (2008: \$33,000 and \$57,000).

Note 9 - Segmented reporting

The Company distributes oilfield products principally through its networks of 50 branches located in western Canada to oil and gas industry customers. Accordingly, the Company has determined that it operated through a single operating segment and geographic jurisdiction