

SIGNIFICANT DIFFERENCES IN CE FRANKLIN LTD.'S CORPORATE GOVERNANCE PRACTICES COMPARED TO NASDAQ CORPORATE GOVERNANCE STANDARDS

CE Franklin's common shares are listed on the NASDAQ Stock Market LLC ("NASDAQ"). The NASDAQ Listing Rules. Rule 5615(3) permits NASDAQ to consider the laws, customs and practices of foreign issuers in relaxing certain NASDAQ listing criteria, and to grant exemptions from NASDAQ listing criteria based on these considerations. A company seeking relief under these provisions is required to provide written certification from independent local counsel that the non-complying practice is not prohibited by home country law. In addition, CE Franklin must disclose the significant differences between its corporate governance practices and those required to be followed by U.S. domestic companies under NASDAQ's corporate governance standards.

CE Franklin's corporate governance practices meet all applicable Canadian requirements. They also comply with applicable rules adopted by the Securities and Exchange Commission to give effect to the provisions of the United States Sarbanes-Oxley Act of 2002.

The following is a summary of the significant ways in which CE Franklin's corporate governance practices differ from those required to be followed by U.S. domestic issuers pursuant to NASDAQ's rules.

Independence Standards

CE Franklin's Board of Directors is responsible for determining whether or not each director is independent. In making this determination, the Board has adopted the definition of "independence" as set forth in National Instrument 58-101 *Disclosure of Corporate Governance Standards*. CE Franklin's Board of Directors has not adopted the director independence standards contained in Rule 5605 of the NASDAQ Listing Rules.

Rule 5605(b)(1) of the NASDAQ Listing Rules requires that a listed company have a Board of Directors consisting of at least a majority of members who satisfy applicable independence standards. CE Franklin's Board is currently composed of seven members, a majority of which are independent under the definition adopted by the Board.

Rule 5605(e) of the NASDAQ Listing Rules requires that a listed company have a nominating committee of directors that are responsible for recommending nominations to the company's board of directors, or that these recommendations are undertaken by a majority of the independent directors on its board of directors. Rule 5605(e)(1)(B) of the NASDAQ Listing Rules further requires that each member of a nominating committee be independent with reference to the standards set out under Rule 5605 of the NASDAQ Listing Rules. CE Franklin has a Corporate Governance and Nominating Committee that is responsible for recommending nominations to CE Franklin's Board of Directors, as contemplated by Rule 5605(e)(1)(B) of the NASDAQ Listing Rules, however, not every member of CE Franklin's Corporate Governance and Nominating Committee is independent. The Corporate Governance and Nominating Committee is currently comprised of two independent directors and one non-independent director according to the definition of independence adopted by the Board. NASDAQ also requires a listed company to adopt a formal written charter or board resolution addressing the nominations process and other matters as may be required under U.S. federal securities laws. CE Franklin's Corporate Governance and Nominating Committee has adopted a written charter in compliance with the requirements of National Policy 58-201 *Corporate Governance Guidelines*.

Rule 5605(d) of the NASDAQ Listing Rules requires that a listed company have a compensation committee that is responsible for recommending the compensation of the company's chief executive officer and all other executive officers to the company's board of directors, or that these recommendations

be undertaken by a majority of the independent directors on its board of directors. Rule 5605(d)(1)(B) of the NASDAQ Listing Rules further requires that each member of a compensation committee be independent. CE Franklin has a Compensation Committee that is responsible for recommending the compensation of CE Franklin's Chief Executive Officer and executive officers to its board of directors, as contemplated by Rule 5605(d)(1)(B) of the NASDAQ Marketplace Rules, however, not every member of CE Franklin's Compensation Committee is independent. The Compensation Committee is currently comprised of two independent directors and one non-independent director according to the definition of independence adopted by the Board.

Shareholder Approval for Dilutive Private Placement Financings

NASDAQ requires a listed company to obtain the approval of its shareholders for certain types of securities issuances, including private placements that may result in the issuance of common shares (or securities convertible into common shares) equal to 20% or more of presently outstanding shares for less than the greater of book or market value of the shares. In general, the requirements under Alberta law and the rules of the Toronto Stock Exchange requiring shareholder approval differ in some respects from those of NASDAQ. CE Franklin will seek a waiver from NASDAQ's shareholder approval requirements in circumstances where the securities issuance does not trigger such a requirement under Alberta law or under the rules of the Toronto Stock Exchange.

Quorum Requirements

Rule 5620(e) of the NASDAQ Listing Rules recommends that the quorum for meetings of shareholders of a listed company be not less than 33 1/3% of the issued and outstanding shares entitled to vote at a meeting of shareholders. CE Franklin's by-laws provide that a quorum for the transaction of business at a shareholder meeting is two persons who are, or who represent by proxy, shareholders who, in the aggregate, hold at least 10% of the outstanding shares of CE Franklin carrying voting rights at the meeting. However, if there is only one shareholder entitled to vote at a meeting of shareholders, the quorum for the transaction of business at the meeting of shareholders shall consist of the one shareholder.