

**CE Franklin Ltd.**  
**Interim Statements of Operations**  
**(Unaudited)**

*Three months ended March 31*

*(in thousands of Canadian dollars, except per share data)*

	<b>2005</b>	2004
<b>Sales</b>	<b>128,372</b>	89,032
<b>Cost of sales</b>	<b>104,709</b>	74,345
<b>Gross profit</b>	<b>23,663</b>	14,687
<b>Other expenses (income)</b>		
Selling, general and administrative expenses	<b>12,909</b>	10,604
Amortization	<b>1,168</b>	1,044
Interest expense	<b>509</b>	341
Foreign exchange loss (gain)	<b>9</b>	(52)
Other expenses (income)	-	(13)
	<b>14,595</b>	11,924
<b>Income before income taxes</b>	<b>9,068</b>	2,763
<b>Income tax expense (recovery)</b>		
Current	<b>3,652</b>	1,398
Future	<b>(388)</b>	(222)
	<b>3,264</b>	1,176
Income from continuing operations	<b>5,804</b>	1,587
Loss from discontinued operations (note 2)	-	(27)
<b>Net income for the period</b>	<b>5,804</b>	1,560
<b>Net income per share from continuing operations (note 4)</b>		
Basic	<b>0.34</b>	0.09
Diluted	<b>0.32</b>	0.09
<b>Net income per share</b>		
Basic	<b>0.34</b>	0.09
Diluted	<b>0.32</b>	0.09
<b>Weighted average basic number of shares outstanding</b>		
Basic	<b>17,205,634</b>	17,178,696
Diluted	<b>18,149,096</b>	17,336,514

**CE Franklin Ltd.**  
**Interim Balance Sheets**  
**(Unaudited)**

	<b>March 31</b>	December 31
<i>(in thousands of Canadian dollars)</i>	<b>2005</b>	2004
<b>ASSETS</b>		
<b>Current assets</b>		
Accounts receivable	<b>89,317</b>	66,573
Inventories	<b>67,187</b>	64,282
Other	<b>1,045</b>	552
	<b>157,549</b>	131,407
<b>Property and equipment</b>	<b>5,401</b>	6,097
<b>Goodwill</b>	<b>7,765</b>	7,765
<b>Other</b>	<b>225</b>	240
	<b>170,940</b>	145,509
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	<b>5,883</b>	5,270
Bank operating loan	<b>37,104</b>	26,140
Accounts payable	<b>43,545</b>	29,381
Accrued liabilities	<b>23,272</b>	29,210
Current portion of obligations under capital lease	<b>214</b>	204
	<b>110,018</b>	90,205
<b>Obligations under capital lease</b>	<b>561</b>	626
<b>Future income taxes</b>	<b>224</b>	612
	<b>110,803</b>	91,443
<b>SHAREHOLDERS' EQUITY</b>		
<b>Capital stock</b>	<b>19,456</b>	19,335
<b>Contributed surplus</b>	<b>14,004</b>	13,858
<b>Retained earnings</b>	<b>26,677</b>	20,873
	<b>60,137</b>	54,066
	<b>170,940</b>	145,509

**CE Franklin Ltd.****Interim Statements of Cash Flows****(Unaudited)***Three months ended March 31**(in thousands of Canadian dollars)*

	<b>2005</b>	2004
<b>Cash flows from operating activities</b>		
Income from continuing operations	<b>5,804</b>	1,587
Items not affecting cash -		
Amortization	<b>1,168</b>	1,044
Gain on disposal of property and equipment	-	(9)
Future income tax recovery	<b>(388)</b>	(222)
Increase in inventory write-downs	<b>302</b>	293
Stock option expense	<b>146</b>	64
	<b>7,032</b>	2,757
Net change in non-cash working capital balances related to operations -		
Accounts receivable	<b>(22,744)</b>	(16,077)
Inventories	<b>(3,561)</b>	(4,601)
Other current assets	<b>(493)</b>	(640)
Accounts payable	<b>14,164</b>	2,842
Accrued liabilities	<b>(5,938)</b>	5,386
Net cash flow from continuing operations	<b>(11,540)</b>	(10,333)
Net cash flow from discontinued operations (note 2)	-	(26)
	<b>(11,540)</b>	(10,359)
<b>Cash flows from financing activities</b>		
Issuance of capital stock	<b>121</b>	-
Increase in bank operating loan	<b>10,964</b>	3,963
Increase in bank overdraft	<b>613</b>	827
Decrease in obligations under capital lease	<b>(71)</b>	(105)
	<b>11,627</b>	4,685
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	<b>(87)</b>	(175)
Proceeds on disposal of property and equipment	-	9
Proceeds on sale of compression operations (note 2)	-	961
Net cash flow from continuing operations	<b>(87)</b>	795
Net cash flow from discontinued operations (note 2)	-	(2)
	<b>(87)</b>	793
<b>Change in cash and cash equivalents during the period</b>	-	(4,881)
<b>Cash and cash equivalents - Beginning of period</b>	-	4,881
<b>Cash and cash equivalents - End of period</b>	-	-
Cash paid during the period for:		
Interest on bank operating loan	<b>495</b>	350
Interest on obligations under capital lease	<b>14</b>	5
Income taxes	<b>3,501</b>	1,799

**CE Franklin Ltd.****Interim Statements of Changes in Shareholders' Equity  
(Unaudited)**

<i>(in thousands of Canadian dollars, except share amounts)</i>	Capital Stock		Contributed surplus	Retained earnings	Shareholders' equity
	Number of Shares	\$			
<b>Balance - December 31, 2003</b>	17,178,696	19,268	13,602	14,758	47,628
Stock options granted	-	-	64	-	64
Net income	-	-	-	1,560	1,560
<b>Balance - March 31, 2004</b>	17,178,696	19,268	13,666	16,318	49,252
<b>Balance - December 31, 2004</b>	17,194,934	19,335	13,858	20,873	54,066
Stock options exercised	26,955	121	-	-	121
Stock options granted	-	-	146	-	146
Net income	-	-	-	5,804	5,804
<b>Balance - March 31, 2005</b>	17,221,889	19,456	14,004	26,677	60,137

**CE Franklin Ltd.****Notes to Financial Statements (Unaudited)****Note 1 - Accounting policies**

These interim financial statements are prepared following accounting policies consistent with the Company's financial statements for the years ended December 31, 2004 and 2003, except as described in note 3, and are in accordance with generally accepted accounting principles in Canada.

The disclosures provided below are incremental to those included in the annual audited financial statements. The interim financial statements should be read in conjunction with the annual audited financial statements and the notes thereto for the year ended December 31, 2004.

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

**Note 2 - Discontinued operations**

On March 31, 2004, the Company sold its remaining 50% interest in its small horsepower compression operations for cash proceeds of \$961,000. No gain or loss on disposition resulted from this transaction. The operating loss from discontinued operations in the first quarter of 2004 was \$27,000.

**Note 3 - Changes in accounting policy**

Effective January 1, 2004, the Company adopted, prospectively, the Canadian Institute of Chartered Accountants Guideline for "Hedging Relationships". The Company utilizes foreign currency exchange contracts with financial institutions to fix the value of liabilities or future commitments. These foreign currency exchange contracts are not designated as hedges for accounting purposes. The value of the contract is marked to market and the change in the value is recognized in the statements of operations. There were no contracts outstanding at the end of the first quarter of 2005 as compared to an outstanding contract for \$2.2 million as of March 31, 2004.

**Note 4 - Share data**

At March 31, 2005 the Company had 17,221,889 common shares outstanding and 1,963,324 options to acquire common shares at a weighted average exercise price of \$3.93 per common share. 1,081,179 of those options were vested and exercisable at a weighted average exercise price of \$4.11 per common share.

Effective January 1, 2003, the Company adopted prospectively, the fair value method of accounting for common share options granted. Under this method, the Company recognizes compensation expense based on the fair value of the options on the date of grant which is determined by using the Black-Scholes options-pricing model. The fair value of the options is recognized over the vesting period of the options granted as compensation expense and contributed surplus. The contributed surplus balance is reduced as options are exercised and the amount initially recorded for the options in contributed surplus is credited to capital stock.

413,745 common share options were granted in the first quarter of 2005. The fair value of these common share options granted was \$1,003,900. The fair value of common share options granted is estimated as at the grant date using the Black-Scholes option pricing model, using the following assumptions:

Dividend yield	nil
Risk-free interest rate	4.50%
Expected life	5 years
Expected volatility	65%

The compensation expense recorded in the quarter ended March 31, 2005 for common share options granted subsequent to December 31, 2002 was \$146,000. The compensation expense recorded for the quarter ended March 31, 2004 was \$64,000.

No compensation expense is recorded for stock options awarded prior to January 1, 2003 as the Company has continued to apply the intrinsic method of accounting for stock options granted to employees, officers and directors. The consideration paid by option holders on the exercise of these options is and will be credited to capital stock. Had compensation cost been determined on the basis of fair values, net income for the quarter ended March 31, 2005 would have decreased by \$128,000 or \$0.01 per common share. The net income for the quarter ended March 31, 2004 would have decreased by \$199,000 or \$0.01 per common share.