

CE Franklin Ltd.
Interim Statements of Operations
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30	September 30	September 30	September 30
<i>(in thousands of Canadian dollars, except per share data)</i>	2004	2003	2004	2003
Sales	78,232	67,533	234,266	184,138
Cost of sales	63,842	56,306	193,077	153,605
Gross profit	14,390	11,227	41,189	30,533
Other expenses (income)				
Selling, general and administrative expenses	11,011	9,031	31,236	26,514
Amortization	1,107	1,077	3,236	3,099
Interest expense	345	257	1,019	693
Foreign exchange loss (gain)	-41	8	-7	-362
Other expenses (income)	-1	7	-10	-17
	12,421	10,380	35,474	29,927
Income before income taxes	1,969	847	5,715	606
Income tax expense (recovery)				
Current	931	785	2,961	1,240
Future	-160	-342	-549	-738
	771	443	2,412	502
Income from continuing operations	1,198	404	3,303	104
Loss from discontinued operations (note 5)	-	-97	-27	-335
Net income (loss) for the period	1,198	307	3,276	-231
Net income per share from continuing operations (note 4)				
Basic and diluted	0.07	0.02	0.19	0.00
Net income (loss) per share				
Basic and diluted	0.07	0.02	0.19	-0.01
Weighted average basic number of shares outstanding	17,191,397	17,178,696	17,185,532	17,178,696

CE Franklin Ltd.
Interim Balance Sheets
(Unaudited)

	September 30	December 31
<i>(in thousands of Canadian dollars)</i>	2004	2003
ASSETS		
Current assets		
Cash	-	4,881
Accounts receivable	55,024	45,843
Inventories	56,435	48,054
Other	1,045	887
Assets held from discontinued operations	-	926
	112,504	100,591
Property and equipment	6,759	8,279
Goodwill	7,765	7,765
Other	255	300
Assets held from discontinued operations	-	697
	127,283	117,632
LIABILITIES		
Current liabilities		
Bank overdraft	5,492	-
Bank operating loan	26,448	23,368
Accounts payable	18,877	27,996
Accrued liabilities	23,526	16,068
Current portion of long-term debt	212	369
Liabilities from discontinued operations	-	644
	74,555	68,445
Long-term debt	705	127
Future income taxes	864	1,413
Liabilities from discontinued operations	-	19
	76,124	70,004
SHAREHOLDERS' EQUITY		
Capital stock	19,331	19,268
Contributed surplus	13,794	13,602
Retained earnings	18,034	14,758
	51,159	47,628
	127,283	117,632

CE Franklin Ltd.

Interim Statements of Cash Flows

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30 2004	September 30 2003	September 30 2004	September 30 2003
<i>(in thousands of Canadian dollars)</i>				
Cash flows from operating activities				
Income from continuing operations	1,198	404	3,303	104
Items not affecting cash -				
Amortization	1,107	1,077	3,236	3,099
Gain on disposal of property and equipment	-1	-	-5	-14
Future income tax recovery	-160	-342	-549	-738
Increase (decrease) in inventory write-downs	291	-128	522	340
Stock option expense	64	-	192	-
	2,499	1,011	6,699	2,791
Net change in non-cash working capital balances related to operations -				
Accounts receivable	-10,966	-4,455	-9,181	-5,525
Income taxes recoverable	-	607	-	741
Inventories	970	-3,259	-9,200	-3,752
Other current assets	266	-577	-158	-719
Accounts payable	-2,725	1,146	-9,119	4,090
Accrued liabilities	6,053	443	7,458	2,986
Net cash flow from continuing operations	-3,903	-5,084	-13,501	612
Net cash flow from discontinued operations	-	818	-26	99
	-3,903	-4,266	-13,527	711
Cash flows from financing activities				
Issuance of capital stock	12	-	63	-
Increase (decrease) in bank operating loan	-3,956	88	3,080	-4,112
Increase in bank overdraft	5,492	4,310	5,492	3,490
Decrease in long-term debt	-87	-99	-296	-246
	1,461	4,299	8,339	-868
Cash flows from investing activities				
Purchase of property and equipment	-262	-51	-701	-400
Proceeds on disposal of property and equipment	18	8	49	37
Proceeds on sale of 50% interest in Britannia Industries Inc.	-	-	961	538
Net cash flow from continuing operations	-244	-43	309	175
Net cash flow from discontinued operations	-	10	-2	-18
	-244	-33	307	157
Change in cash and cash equivalents during the period	-2,686	-	-4,881	-
Cash and cash equivalents - Beginning of period	2,686	-	4,881	-
Cash and cash equivalents - End of period	-	-	-	-
Cash paid (received) during the period for:				
Interest on bank operating loan	327	284	1,004	788
Interest on long-term debt	18	20	29	40
Income taxes	420	-83	2,818	155

CE Franklin Ltd.**Interim Statement 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	\$			
Balance - December 31, 2002	17,178,696	19,268	13,566	14,337	47,171
Net loss	-	-	-	(231)	(231)
Balance - September 30, 2003	17,178,696	19,268	13,566	14,106	46,940
Balance - December 31, 2003	17,178,696	19,268	13,602	14,758	47,628
Stock options exercised	15,236	63	-	-	63
Stock options granted	-	-	192	-	192
Net income	-	-	-	3,276	3,276
Balance - September 30, 2004	17,193,932	19,331	13,794	18,034	51,159

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 consolidated financial statements for the years ended December 31, 2003 and 2002, except as described in note 3 and are in accordance with generally accepted accounting principles in Canada. Certain comparative figures have been reclassified to conform with the current period's presentation.

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 consolidated financial statements and the notes thereto for the year ended December 31, 2003.

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 - Basis of presentation

On March 31, 2004, the Company sold its remaining 50% interest in Britannia Industries Inc. for cash proceeds of \$961,000.

On January 31, 2003, the Company transferred the property and equipment and operations of its compression operations into a wholly owned subsidiary, Britannia Industries Inc.. Subsequently, a 50% interest in Britannia was sold for cash proceeds of \$538,000.

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.

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.

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. The consideration paid by option holders on the exercise of these options is and will be credited to capital stock.

Note 4 - Share data

At September 30, 2004 the Company had 17,193,932 common shares and 1,653,199 options to acquire common shares outstanding. 713,265 of those options were currently vested and exercisable. There were no common share options granted in the nine months ended September 30, 2004. The compensation expense recorded in the third quarter of 2004 and in the nine months ended September 30, 2004 for common share options granted subsequent to December 31, 2002 was \$64,000 and \$192,000 respectively.

For all stock options issued prior to January 1, 2003 the Company applied the intrinsic method of accounting for common share options granted to employees, officers and directors. Accordingly, no compensation expense has been recognized in the Statements of Operations. Had compensation cost been determined on the basis of fair values, net income for the quarter ended September 30, 2004 would have decreased by \$200,000 or \$0.01 per common share. The Company's net income for the nine months ended September 30, 2004 would have decreased by \$598,000 or \$0.03 per common share.

Note 5 - Discontinued operations

On March 31, 2004, the Company sold its 50% interest in Britannia Industries Inc. for cash proceeds of \$961,000. No gain or loss on disposition resulted from the transaction. The proceeds from this transaction were used to reduce the Company's bank operating loan. The results of discontinued operations for the period ended September 30 were as follows:

(in thousands of Canadian dollars)	Three Months Ended		Nine Months Ended	
	September 30	September 30	September 30	September 30
	2004	2003	2004	2003
Sales	-	309	444	1,984
Loss before income taxes	-	(151)	(63)	(472)
Income tax recovery	-	(54)	(36)	(137)
Loss for the period	-	(97)	(27)	(335)

Note 6 - Acquisition

On July 8, 2004 the Company announced that it has entered into a non-binding letter of intent with Smith International Inc. ("Smith") to acquire all the common stock of Wilson International Inc., a wholly owned subsidiary of Smith, in exchange for common shares of CE Franklin to be issued from treasury. This transaction is considered to be a related party transaction by virtue of Smith's current 55% shareholdings in CE Franklin and is subject to the approval of a majority of CE Franklin's shareholders, excluding Smith.