

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

Three Months Ended March 31

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

	2003	2002
Sales		
General supplies	49,121	45,914
Tubulars	12,677	32,284
Manufacturing	1,181	1,536
	62,979	79,734
Cost of sales		
General supplies	40,301	38,097
Tubulars	11,811	30,527
Manufacturing	856	1,074
	52,968	69,698
Gross profit		
General supplies	8,820	7,817
Tubulars	866	1,757
Manufacturing	325	462
	10,011	10,036
Other expenses (income)		
Selling, general and administrative expenses	8,782	9,550
Amortization	1,072	1,055
Interest expense	270	226
Foreign exchange loss (gain)	(118)	37
Other income	(28)	(13)
	9,978	10,855
Income (loss) before income taxes	33	(819)
Income tax expense (recovery)		
Current	142	(266)
Future	(47)	(164)
	95	(430)
Net loss for the period	(62)	(389)
Net income (loss) per share (note 4)		
Basic and diluted	0.00	(0.02)
Weighted average basic number of shares outstanding	17,178,696	17,158,091

CE Franklin Ltd.
Interim Consolidated Balance Sheets
(Unaudited)

<i>(in thousands of Canadian dollars)</i>	March 31, 2003	December 31, 2002
ASSETS		
Current assets		
Accounts receivable	41,115	36,992
Inventories	38,934	40,679
Income taxes recoverable	599	741
Other	547	600
	81,195	79,012
Property and equipment	11,210	12,757
Goodwill	7,765	7,765
	100,170	99,534
LIABILITIES		
Current liabilities		
Bank overdraft	6,191	1,148
Bank operating loan	16,100	21,500
Accounts payable	17,721	16,525
Accrued liabilities	10,189	10,213
Current portion of long-term debt	297	297
	50,498	49,683
Long-term debt	229	299
Future income taxes	2,334	2,381
	53,061	52,363
SHAREHOLDERS' EQUITY		
Capital stock	19,268	19,268
Contributed surplus	13,566	13,566
Retained earnings	14,275	14,337
	47,109	47,171
	100,170	99,534

CE Franklin Ltd.
Interim Consolidated Statements of Cash Flows
(Unaudited)

Three Months Ended March 31

(in thousands of Canadian dollars)

	2003	2002
Cash flows from operating activities		
Net loss	(62)	(389)
Items not affecting cash -		
Amortization	1,072	1,055
Gain on disposal of property and equipment	(21)	(11)
Future income taxes	(47)	(164)
Increase in inventory reserves	298	29
	1,240	520
Net change in non-cash working capital balances related to operations -		
Accounts receivable	(4,123)	(4,826)
Income taxes recoverable	142	-
Inventories	1,498	4,981
Other current assets	53	26
Accounts payable	1,196	(2,098)
Accrued liabilities	(24)	(3,560)
	(18)	(4,957)
Cash flows from financing activities		
Increase (decrease) in bank operating loan	(5,400)	1,300
Increase in bank overdraft	5,043	3,917
Decrease in long-term debt	(70)	(70)
	(427)	5,147
Cash flows from investing activities		
Purchase of property and equipment	(108)	(247)
Proceeds on disposal of property and equipment	15	57
Proceeds on sale of 50% interest in Britannia	538	-
	445	(190)
Change in cash and cash equivalents during the period	-	-
Cash and cash equivalents - Beginning of period	-	-
Cash and cash equivalents - End of period	-	-
Cash paid during the period for:		
Interest on bank operating loan	258	213
Interest on long-term debt	12	13
Income taxes	-	82

CE Franklin Ltd.**Interim Consolidated 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, 2001	17,158,091	19,186	13,566	17,205	49,957
Effect of change in accounting policy (note 3)	-	-	-	(375)	(375)
Stock options exercised	20,605	82	-	-	82
Net loss	-	-	-	(2,493)	(2,493)
Balance - December 31, 2002	17,178,696	19,268	13,566	14,337	47,171
Net loss	-	-	-	(62)	(62)
Balance - March 31, 2003	17,178,696	19,268	13,566	14,275	47,109

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

These interim consolidated financial statements are prepared following accounting policies consistent with the Company's financial statements for the years ended December 31, 2002 and 2001, except as described in note 2. These consolidated financial statements are in accordance with generally accepted accounting principles in Canada which, in the case of the Company, conform in all material respects with those in the United States.

The disclosures provided below are incremental to those included in the annual audited financial statements. The interim consolidated financial statements should be read in conjunction with the annual audited financial statements and the notes thereto for the year ended December 31, 2002.

These unaudited interim consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary to 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 January 31, 2003, the Company transferred the property and equipment and operations of its Britannia Compression operations into a wholly owned subsidiary. Subsequently, 50% interest in the new subsidiary was sold. The Company accounts for its remaining 50% investment using the proportionate consolidation method of accounting.

Note 3 - Changes in accounting policy

Effective January 1, 2002, the Company adopted the new Canadian Institute of Chartered Accountants' standard relating to goodwill and other intangible assets. The new standard requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, and are tested annually for a permanent impairment. As a result of adopting the new standard, the Company has determined that \$415,000 of its goodwill (\$375,000 after-tax) is impaired, and in accordance with the new standard, applied the \$375,000 impairment against retained earnings as at January 1, 2002.

Note 4 - Share data

At March 31, 2003 the Company had 17,178,696 common shares and 1,336,668 options to acquire common shares outstanding. 483,747 of those options were currently vested and exercisable.

On January 1, 2002 the Company adopted the new CICA Handbook Section on "Stock-Based Compensation and Other Stock-Based Payments", and has continued to account for common share options granted to employees, officers and directors using the intrinsic method. Accordingly, no compensation cost has been recognized in the interim consolidated statements of operations. Had compensation cost been determined on the basis of fair values, net loss for the quarter ended March 31, 2003 would have increased by \$144,000 or \$0.01 per common share.

39,458 common share options were granted in the first quarter of 2003. The fair value of common share options granted in the three months ended March 31, 2003 is \$83,000. 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	4.83%
Expected life	7 years
Expected volatility	70%

Note 5 - Segment information

The Company has two identifiable industry segments. Distribution of equipment and supplies to producers of oil and gas and manufacturing of air and gas compression equipment for the producers of oil and gas.

(in thousands of dollars)	Distribution	Manufacturing	Total
For the three months ended March 31, 2003			
Revenue	61,798	1,181	62,979
Gross Profit	9,686	325	10,011
Income (loss) before interest and taxes	356	(53)	303
Assets	96,405	3,765	100,170
Goodwill	7,765	-	7,765
Capital expenditures	94	14	108
For the three months ended March 31, 2002			
Revenue	78,198	1,536	79,734
Gross Profit	9,574	462	10,036
Loss before interest and taxes	(484)	(109)	(593)
Assets	98,787	4,898	103,685
Goodwill	7,765	-	7,765
Capital expenditures	247	-	247