

CE Franklin Ltd.
Interim Statements of Operations
(Unaudited)

Three Months Ended March 31

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

	2004	2003
Sales	89,032	61,798
Cost of sales	74,345	52,112
Gross profit	14,687	9,686
Other expenses (income)		
Selling, general and administrative expenses	10,604	8,454
Amortization	1,044	1,010
Interest expense	341	225
Foreign exchange gain	(52)	(118)
Other income	(13)	(16)
	11,924	9,555
Income before income taxes	2,763	131
Income tax expense (recovery)		
Current	1,398	181
Future	(222)	(47)
	1,176	134
Income (loss) from continuing operations	1,587	(3)
Loss from discontinued operations (note 5)	(27)	(59)
Net income (loss) for the period	1,560	(62)
Net income (loss) per share from continuing operations (note 4)		
Basic and diluted	0.09	0.00
Net income (loss) per share		
Basic and diluted	0.09	0.00
Weighted average basic number of shares outstanding	17,178,696	17,178,696

CE Franklin Ltd.
Interim Balance Sheets
(Unaudited)

<i>(in thousands of Canadian dollars)</i>	March 31	December 31
	2004	2003
ASSETS		
Current assets		
Cash	-	4,881
Accounts receivable	61,920	45,843
Inventories	52,217	48,054
Other	1,527	887
Assets held from discontinued operations	-	926
	115,664	100,591
Property and equipment	7,570	8,279
Goodwill	7,765	7,765
Other	285	300
Assets held from discontinued operations	-	697
	131,284	117,632
LIABILITIES		
Current liabilities		
Bank overdraft	827	-
Bank operating loan	27,331	23,368
Accounts payable	30,838	27,996
Accrued liabilities	21,454	16,068
Current portion of long-term debt	290	369
Liabilities from discontinued operations	-	644
	80,740	68,445
Long-term debt	101	127
Future income taxes	1,191	1,413
Liabilities from discontinued operations	-	19
	82,032	70,004
SHAREHOLDERS' EQUITY		
Capital stock	19,268	19,268
Contributed surplus	13,666	13,602
Retained earnings	16,318	14,758
	49,252	47,628
	131,284	117,632

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

Three Months Ended March 31
(in thousands of Canadian dollars)

	2004	2003
Cash flows from operating activities		
Income (loss) from continuing operations	1,587	(3)
Items not affecting cash -		
Amortization	1,044	1,010
Gain on disposal of property and equipment	(9)	(8)
Future income tax recovery	(222)	(47)
Increase in inventory write-downs	293	319
Stock options granted	64	-
	2,757	1,271
Net change in non-cash working capital balances related to operations -		
Accounts receivable	(16,077)	(4,141)
Income taxes recoverable	-	142
Inventories	(4,601)	1,556
Other current assets	(640)	54
Accounts payable	2,842	1,021
Accrued liabilities	5,386	871
Net cash flow from continuing operations	(10,333)	774
Net cash flow from discontinued operations	(26)	(792)
	(10,359)	(18)
Cash flows from financing activities		
Increase (decrease) in bank operating loan	3,963	(5,400)
Increase in bank overdraft	827	5,043
Decrease in long-term debt	(105)	(70)
	4,685	(427)
Cash flows from investing activities		
Purchase of property and equipment	(175)	(94)
Proceeds on disposal of property and equipment	9	15
Proceeds on sale of 50% interest in Britannia Industries Inc.	961	538
Net cash flow from continuing operations	795	459
Net cash flow from discontinued operations	(2)	(14)
	793	445
Change in cash and cash equivalents during the period	(4,881)	-
Cash and cash equivalents - Beginning of period	4,881	-
Cash and cash equivalents - End of period	-	-
Cash paid during the period for:		
Interest on bank operating loan	350	258
Interest on long-term debt	5	12
Income taxes	1,799	-

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	-	-	-	(62)	(62)
Balance - March 31, 2003	17,178,696	19,268	13,566	14,275	47,109
Balance - December 31, 2003	17,178,696	19,268	13,602	14,758	47,628
Stock options granted	-	-	64	-	64
Net income	-	-	-	1,560	1,560
Balance - March 31, 2004	17,178,696	19,268	13,666	16,318	49,252

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 2. These financial statements 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 March 31, 2004 the Company had 17,178,696 common shares and 1,744,039 options to acquire common shares outstanding. 785,366 of those options were currently vested and exercisable. There were no common share options granted in the first quarter of 2004. The compensation expense recorded in the first quarter of 2004 for common share options granted subsequent to December 31, 2002 was \$64,000.

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 March 31, 2004 would have decreased by \$199,000 or \$0.01 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 quarter ended March 31 were as follows:

(in thousands of dollars)	March 31, 2004	March 31, 2003
Sales	444	1,181
Loss before income taxes	(63)	(98)
Income tax expense (recovery)	(36)	(39)
Loss for the quarter	(27)	(59)