

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

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30</b>	June 30	<b>June 30</b>	June 30
<i>(in thousands of Canadian dollars, except per share data)</i>	<b>2003</b>	2002	<b>2003</b>	2002
<b>Sales</b>				
General supplies	<b>46,446</b>	39,740	<b>95,567</b>	85,654
Tubulars	<b>8,361</b>	16,363	<b>21,038</b>	48,647
Manufacturing	<b>494</b>	1,498	<b>1,675</b>	3,034
	<b>55,301</b>	57,601	<b>118,280</b>	137,335
<b>Cost of sales</b>				
General supplies	<b>37,204</b>	32,846	<b>77,505</b>	70,943
Tubulars	<b>7,983</b>	15,489	<b>19,794</b>	46,016
Manufacturing	<b>420</b>	1,153	<b>1,276</b>	2,227
	<b>45,607</b>	49,488	<b>98,575</b>	119,186
<b>Gross profit</b>				
General supplies	<b>9,242</b>	6,894	<b>18,062</b>	14,711
Tubulars	<b>378</b>	874	<b>1,244</b>	2,631
Manufacturing	<b>74</b>	345	<b>399</b>	807
	<b>9,694</b>	8,113	<b>19,705</b>	18,149
<b>Other expenses (income)</b>				
Selling, general and administrative expenses	<b>9,219</b>	8,542	<b>18,001</b>	18,092
Amortization	<b>1,076</b>	1,063	<b>2,148</b>	2,118
Interest expense	<b>254</b>	222	<b>524</b>	448
Foreign exchange gain	<b>(252)</b>	(151)	<b>(370)</b>	(114)
Other income	<b>(8)</b>	-	<b>(36)</b>	(13)
	<b>10,289</b>	9,676	<b>20,267</b>	20,531
<b>Loss before income taxes</b>	<b>(595)</b>	(1,563)	<b>(562)</b>	(2,382)
<b>Income tax expense (recovery)</b>				
Current	<b>230</b>	(381)	<b>372</b>	(647)
Future	<b>(349)</b>	(106)	<b>(396)</b>	(270)
	<b>(119)</b>	(487)	<b>(24)</b>	(917)
<b>Net loss for the period</b>	<b>(476)</b>	(1,076)	<b>(538)</b>	(1,465)
<b>Net loss per share (note 4)</b>				
Basic and diluted	<b>(0.03)</b>	(0.07)	<b>(0.03)</b>	(0.09)
<b>Weighted average basic number of shares outstanding</b>	<b>17,178,696</b>	17,173,888	<b>17,178,696</b>	17,165,946

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

<i>(in thousands of Canadian dollars)</i>	<b>June 30,</b> <b>2003</b>	December 31, 2002
<b>ASSETS</b>		
<b>Current assets</b>		
Accounts receivable	37,267	36,992
Inventories	41,373	40,679
Income taxes recoverable	607	741
Other	749	600
	<b>79,996</b>	79,012
<b>Property and equipment</b>	<b>10,526</b>	12,757
<b>Goodwill</b>	<b>7,765</b>	7,765
	<b>98,287</b>	99,534
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	328	1,148
Bank operating loan	17,300	21,500
Accounts payable	19,716	16,525
Accrued liabilities	11,653	10,213
Current portion of long-term debt	358	297
	<b>49,355</b>	49,683
<b>Long-term debt</b>	<b>314</b>	299
<b>Future income taxes</b>	<b>1,985</b>	2,381
	<b>51,654</b>	52,363
<b>SHAREHOLDERS' EQUITY</b>		
<b>Capital stock</b>	<b>19,268</b>	19,268
<b>Contributed surplus</b>	<b>13,566</b>	13,566
<b>Retained earnings</b>	<b>13,799</b>	14,337
	<b>46,633</b>	47,171
	<b>98,287</b>	99,534

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

	Three Months Ended		Six Months Ended	
	June 30 2003	June 30 2002	June 30 2003	June 30 2002
<i>(in thousands of Canadian dollars)</i>				
<b>Cash flows from operating activities</b>				
Net loss	(476)	(1,076)	(538)	(1,465)
Items not affecting cash -				
Amortization	1,076	1,063	2,148	2,118
Gain on disposal of property and equipment	(1)	-	(22)	(11)
Future income taxes	(349)	(113)	(396)	(278)
Increase (decrease) in inventory reserves	125	(100)	423	(71)
	375	(226)	1,615	293
Net change in non-cash working capital balances related to operations -				
Accounts receivable	3,848	8,880	(275)	4,054
Income taxes recoverable	(8)	-	134	-
Inventories	(2,477)	569	(979)	5,550
Other current assets	(202)	(1,821)	(149)	(1,795)
Accounts payable	1,995	(6,986)	3,191	(9,409)
Accrued liabilities	1,464	(854)	1,440	(4,088)
	4,995	(438)	4,977	(5,395)
<b>Cash flows from financing activities</b>				
Issuance of capital stock	-	82	-	82
Increase (decrease) in bank operating loan	1,200	3,000	(4,200)	4,300
Increase (decrease) in bank overdraft	(5,863)	(2,390)	(820)	1,527
Increase (decrease) in long-term debt	146	(57)	76	(127)
	(4,517)	635	(4,944)	5,782
<b>Cash flows from investing activities</b>				
Purchase of property and equipment	(496)	(197)	(604)	(444)
Proceeds on disposal of property and equipment	18	-	33	57
Proceeds on sale of 50% interest in Britannia (note 2)	-	-	538	-
	(478)	(197)	(33)	(387)
<b>Change in cash and cash equivalents during the period</b>	-	-	-	-
<b>Cash and cash equivalents - Beginning of period</b>	-	-	-	-
<b>Cash and cash equivalents - End of period</b>	-	-	-	-
Cash paid during the period for:				
Interest on bank operating loan	246	206	504	419
Interest on long-term debt	8	16	20	29
Income taxes	238	358	238	440

**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
	Number of Shares	\$		
<b>Balance - December 31, 2001</b>	17,158,091	19,186	13,566	17,205
Effect of change in accounting policy (note 3)	-	-	-	(375)
Stock options exercised	20,605	82	-	-
Net loss	-	-	-	(2,493)
<b>Balance - December 31, 2002</b>	<b>17,178,696</b>	<b>19,268</b>	<b>13,566</b>	<b>14,337</b>
<b>Balance - December 31, 2002</b>	17,178,696	19,268	13,566	14,337
Net loss	-	-	-	(538)
<b>Balance - June 30, 2003</b>	<b>17,178,696</b>	<b>19,268</b>	<b>13,566</b>	<b>13,799</b>

**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 prepared in accordance with generally accepted accounting principles in Canada which, in the case of the Company, conform in all material aspects 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 present 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 operation to a wholly owned subsidiary. Subsequently, 50% interest in the new subsidiary was sold. The Company accounts for its remaining 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 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 its goodwill (\$375,000 after-tax) is impaired, and in accordance with the new standard, applied the \$375,000 impairment charge to earnings as at January 1, 2002.

**Note 4 - Share data**

At June 30, 2003 the Company had 17,178,696 common shares and 1,303,162 options to acquire common shares outstanding. All 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 value method. Accordingly, no compensation cost has been recognized in the interim consolidated statements of operations. Had compensation been determined on the basis of fair values, net loss for the quarter ended June 30, 2003 would have increased by \$205,000 or \$0.001 per common share. The Company's net loss for the six months ended June 30, 2003 would have increased by \$349,000 or \$0.002 per common share.

There were no common share options granted in the second quarter of 2003. The fair value of common share options granted months ended June 30, 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 gas compression equipment for the producers of oil and gas.

(in thousands of dollars)	Distribution	Manufacturing	Total
<b>For the three months ended June 30, 2003</b>			
Revenue	54,807	494	55,301
Gross Profit	9,620	74	9,694
Income (loss) before interest and taxes	(162)	(179)	(341)
Assets	95,296	2,991	98,287
Goodwill	7,765	-	7,765
Capital expenditures	491	5	496
<b>For the three months ended June 30, 2002</b>			
Revenue	56,103	1,498	57,601
Gross Profit	7,768	345	8,113
Loss before interest and taxes	(1,212)	(129)	(1,341)
Assets	94,247	5,287	99,534
Goodwill	7,765	-	7,765
Capital expenditures	197	-	197
<b>For the six months ended June 30, 2003</b>			
Revenue	116,605	1,675	118,280
Gross Profit	19,306	399	19,705
Income (loss) before interest and taxes	194	(232)	(38)
Assets	95,296	2,991	98,287
Goodwill	7,765	-	7,765
Capital expenditures	585	19	604
<b>For the six months ended June 30, 2002</b>			
Revenue	134,301	3,034	137,335
Gross Profit	17,342	807	18,149
Loss before interest and taxes	(1,696)	(238)	(1,934)
Assets	94,247	5,287	99,534
Goodwill	7,765	-	7,765
Capital expenditures	444	-	444

Shareholders'
equity
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Financial statements are material respects

Consolidated year ended

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including 455,576 of

Market-Based intrinsic method. Acquisition cost been \$.01 per \$.02 per common

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