

CE Franklin Ltd.**Interim Consolidated 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>	2003	2002	2003	2002
Sales				
General supplies	54,018	47,077	149,585	132,731
Tubulars	13,515	14,036	34,553	62,683
Manufacturing	309	1,755	1,984	4,789
	67,842	62,868	186,122	200,203
Cost of sales				
General supplies	43,677	39,227	121,182	110,170
Tubulars	12,629	13,236	32,423	59,252
Manufacturing	184	1,245	1,460	3,472
	56,490	53,708	155,065	172,894
Gross profit				
General supplies	10,341	7,850	28,403	22,561
Tubulars	886	800	2,130	3,431
Manufacturing	125	510	524	1,317
	11,352	9,160	31,057	27,309
Other expenses (income)				
Selling, general and administrative expenses	9,197	8,420	27,198	26,512
Amortization	1,145	1,036	3,293	3,154
Interest expense	304	331	828	779
Foreign exchange loss (gain)	10	2	(360)	(112)
Other income	-	(82)	(36)	(95)
	10,656	9,707	30,923	30,238
Income (loss) before income taxes	696	(547)	134	(2,929)
Income tax expense (recovery)				
Current	731	(79)	1,103	(726)
Future	(342)	(118)	(738)	(388)
	389	(197)	365	(1,114)
Net income (loss) for the period	307	(350)	(231)	(1,815)
Net income (loss) per share (note 4)				
Basic and diluted	0.02	(0.02)	(0.01)	(0.11)
Weighted average basic number of shares outstanding	17,178,696	17,178,696	17,178,696	17,170,243

CE Franklin Ltd.
Interim Consolidated Balance Sheets
(Unaudited)

<i>(in thousands of Canadian dollars)</i>	September 30, 2003	December 31, 2002
ASSETS		
Current assets		
Accounts receivable	41,901	36,992
Inventories	43,400	40,679
Income taxes recoverable	-	741
Other	1,316	600
	86,617	79,012
Property and equipment	9,654	12,757
Goodwill	7,765	7,765
	104,036	99,534
LIABILITIES		
Current liabilities		
Bank overdraft	4,638	1,148
Bank operating loan	17,388	21,500
Accounts payable	20,054	16,525
Accrued liabilities	12,795	10,213
Current portion of long-term debt	386	297
	55,261	49,683
Long-term debt	192	299
Future income taxes	1,643	2,381
	57,096	52,363
SHAREHOLDERS' EQUITY		
Capital stock	19,268	19,268
Contributed surplus	13,566	13,566
Retained earnings	14,106	14,337
	46,940	47,171
	104,036	99,534

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

	Three Months Ended		Nine Months Ended	
	September 30 2003	September 30 2002	September 30 2003	September 30 2002
<i>(in thousands of Canadian dollars)</i>				
Cash flows from operating activities				
Net income (loss)	307	(350)	(231)	(1,815)
Items not affecting cash -				
Amortization	1,145	1,036	3,293	3,154
Gain on disposal of property and equipment	(6)	(82)	(28)	(93)
Future income taxes	(342)	(118)	(738)	(388)
Increase (decrease) in inventory reserves	(236)	(282)	187	(353)
	868	204	2,483	505
Net change in non-cash working capital balances related to operations -				
Accounts receivable	(4,634)	(4,720)	(4,909)	(666)
Income taxes recoverable	607	-	741	-
Inventories	(2,020)	(388)	(2,999)	5,162
Other current assets	(567)	413	(716)	(1,382)
Accounts payable	338	(2,217)	3,529	(11,626)
Accrued liabilities	1,142	6,812	2,582	2,716
	(4,266)	104	711	(5,291)
Cash flows from financing activities				
Issuance of capital stock	-	-	-	82
Increase (decrease) in bank operating loan	88	(500)	(4,112)	3,800
Increase in bank overdraft	4,310	671	3,490	2,198
Decrease in long-term debt	(99)	(71)	(246)	(198)
	4,299	100	(868)	5,882
Cash flows from investing activities				
Purchase of property and equipment	(45)	(283)	(426)	(727)
Proceeds on disposal of property and equipment	12	79	45	136
Proceeds on sale of 50% interest in Britannia (note 2)	-	-	538	-
	(33)	(204)	157	(591)
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 (received) during the period for:				
Interest on bank operating loan	284	319	788	738
Interest on long-term debt	20	12	40	41
Income taxes	(83)	(147)	155	293

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	-	-	-	(231)	(231)
Balance - September 30, 2003	17,178,696	19,268	13,566	14,106	46,940

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, a 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 September 30, 2003 the Company had 17,178,696 common shares and 1,292,662 options to acquire common shares outstanding. 457,740 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 income for the quarter ended September 30, 2003 would have decreased by \$111,000 or \$0.01 per common share. The Company's net loss for the nine months ended September 30, 2003 would have increased by \$460,000 or \$0.03 per common share.

There were no common share options granted in the third quarter of 2003. The fair value of common share options granted in the nine months ended September 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
For the three months ended September 30, 2003			
Revenue	67,533	309	67,842
Gross Profit	11,227	125	11,352
Income (loss) before interest and taxes	1,113	(113)	1,000
Assets	101,204	2,832	104,036
Goodwill	7,765	-	7,765
Capital expenditures	47	3	50
For the three months ended September 30, 2002			
Revenue	61,113	1,755	62,868
Gross Profit	8,650	510	9,160
Loss before interest and taxes	(115)	(101)	(216)
Assets	102,342	4,941	107,283
Goodwill	7,765	-	7,765
Capital expenditures	283	-	283
For the nine months ended September 30, 2003			
Revenue	184,138	1,984	186,122
Gross Profit	30,533	524	31,057
Income (loss) before interest and taxes	1,307	(345)	962
Assets	101,204	2,832	104,036
Goodwill	7,765	-	7,765
Capital expenditures	632	22	654
For the nine months ended September 30, 2002			
Revenue	195,414	4,789	200,203
Gross Profit	25,992	1,317	27,309
Loss before interest and taxes	(1,701)	(449)	(2,150)
Assets	102,342	4,941	107,283
Goodwill	7,765	-	7,765
Capital expenditures	727	-	727

