



CE FRANKLIN LTD.

AMEX (CFK)

TSX (CFT)

**Alberta Royalty Review
April 23, 2007
Grande Prairie**

Presented on behalf of CE Franklin Ltd. by:
Timothy Ritchie
Vice President Strategic Initiatives



Introduction to CE Franklin Ltd.



- **Supply products and services to the Canadian energy industry**
- **Alberta based company**
 - Head Office in Calgary
 - Distribution Center in Edmonton
 - 26 Branches across Alberta (total of 42 in Canada)
 - Employ more than 300 people in Alberta (over 400 in Canada)
- **Public company**
 - 2006 Revenue \$555 Million
 - 2006 Net Income \$22.9 Million

Royalty Review Objectives



Primary Objectives of Royalty System:

1. **Provide a fair return to Albertans**
 - Capture economic rent
2. **Provide sufficient incentive for companies to invest in exploration and development**
 - Extend life of mature resources
 - Promote development of new technologies
 - Promote exploration and development of new resources
 - Competitive with other jurisdictions

Impact on Service Sector



- **Service sector vulnerable to fluctuations in activity**
 - Oil companies can easily allocate capital to other jurisdictions if conditions change
 - Service sector investments in assets such as buildings & equipment can not generally follow the migration of capital

One More Objective?



- **Promote increased stability in activity levels**
 - Third primary objective for Royalty System
- **Stable activity promotes service sector investment**
 - Reduces investment risk
 - Provides incentive to invest in infrastructure, people development, etc.
 - Availability of infrastructure and skilled resources will help moderate inflationary impact
 - in the industry
 - in the overall economy

How to Promote Stability



- **No control over some factors**
 - Commodity prices
 - Shared inputs
 - Changes in other jurisdictions
- **Can manage risk profile**
 - Maintain long term stability in the royalty system and in the overall fiscal system
 - Rely on existing mechanisms to respond to changing commodity prices
 - Maintain status as a low risk jurisdiction in which to invest

Summary



- **With input from all stakeholders it should be possible to design a Royalty System to:**
 - Provide a fair return to Albertans
 - Provide incentive for companies to invest in exploration and development
 - Promote increased stability in activity levels to support investment in infrastructure
- **Maximize long term returns for Albertans**
- **Promote a strong and diverse economy**



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