



March 21, 2007

**INNICOR RELEASES FINANCIAL RESULTS FOR FOURTH QUARTER AND
YEAR ENDED 2006**

CALGARY, ALBERTA - Innicor Subsurface Technologies Inc., a leading Canadian manufacturer and distributor of downhole tools and equipment used in the oil and gas sector, today announced its financial results for the three and twelve months ended December 31, 2006.

Innicor's net income was \$2,874,118 in 2006 or \$0.16 per share basic and diluted, versus \$2,926,321 or \$0.16 per share basic and diluted in the previous year. Total revenues for the year ended December 31, 2006 increased by 13% or \$7,019,910 to \$62,279,529 compared to \$55,259,619 during the same period in 2005.

"Overall our financial performance for 2006 was similar to the previous year despite the impact of a downturn in oilfield activity in the fourth quarter" said Delton Campbell, President and CEO. "2006 was a year of stark contrasts. In the first quarter we generated record levels of revenue and profits and in the latter part of the year our results were impacted by a 15-20% reduction in drilling activity in western Canada."

In the fourth quarter of 2006 Innicor reported a loss of \$511,899 or \$0.03 per share basic and diluted compared to net income of \$1,329,465 or \$0.07 per share basic and diluted in the fourth quarter of 2005. Revenues during the fourth quarter of 2006 were \$14,495,441 compared to \$17,594,503 during the fourth quarter of 2005.

Innicor's consolidated financial statements for the year ended December 31, 2006 and its associated management discussion and analysis will be filed on Sedar and copies can be obtained at www.sedar.com.

FINANCIAL HIGHLIGHTS

(\$000's except percentages and per share amounts)

	Three Months Ended December 31		Twelve Months Ended December 31	
	2006	2005	2006	2005
Total Revenues	\$14,495	\$17,595	\$62,280	\$55,260
Gross Margin	5,764	7,705	29,507	25,438
EBITDA*	98	2,844	7,277	7,060
EBITDA -margin as a % of revenue	1%	16%	12%	13%
Net Income (loss)	(512)	1,329	2,874	2,926
Earnings (loss) per share - basic and diluted	(0.03)	0.07	0.16	0.16
Number of shares outstanding (weighted average)				
- basic	18,117,928	17,931,562	18,060,661	17,871,736
- diluted	18,282,233	17,794,956	18,217,493	17,930,385

**EBITDA, or earnings before interest, taxes, depreciation and amortization, is calculated in the above table by adding these items back to reported net income. Management uses EBITDA as a measurement to determine the ability of the Company to generate cash from operations. EBITDA does not have a standardized meaning prescribed under Canadian generally accepted accounting principles ("GAAP"), and therefore, may not be comparable with calculations of similar measures presented by other issuers. EBITDA is not intended to represent operating or net income for the period nor should it be viewed as an alternative to operating or net income or other measures of financial performance calculated in accordance with GAAP.*

NEW DISTRIBUTION OUTLETS AND MANUFACTURING FACILITIES

On February 1, 2007, Innicor opened a new sales and service outlet in Fort St. John, British Columbia, and during 2005 the Company opened new outlets in Medicine Hat, Slave Lake, and Whitecourt, all in the province of Alberta.

Innicor now has distribution and service outlets in thirteen locations in Alberta, Saskatchewan, and British Columbia that allows the Company to provide equipment and services to its customers located throughout the Western Canadian Sedimentary Basin. In late fall of 2006, Innicor expanded its presence in Indonesia by opening an additional base of operation in Balikpapan to complement the outlet established in 2005 in Jakarta. The operations in Indonesia were established in conjunction with a local agent to provide distribution and service to Innicor's customers in the region. Innicor is currently in the process of also establishing a base of operations in the United Arab Emirates to service its customers in the Middle East.

During the second and third quarters of 2006, Innicor installed new production and manufacturing equipment at its shaped charge plant located in Standard, Alberta, and at its Calgary manufacturing

facility. The total cost of the additional production and manufacturing equipment including building modifications was approximately \$4,000,000 and it is expected to increase the Company's perforating equipment production capacity by approximately 40%.

FINANCIAL AND OPERATIONAL PERFORMANCE

Oilfield activity in the first quarter of 2006 reached record high levels in western Canada and was followed by the traditional lower levels of activity in the second quarter due to spring break up conditions that restrict access to well site locations. Although drilling activity increased in the third quarter of 2006 it did not reach the levels achieved in the third quarter of 2005. The slow down in drilling activity continued into the fourth quarter and was 15-20 % below the previous year. This softening of field activity was due in large part to natural gas prices declining with North American storage volumes of natural gas at above average levels.

FOR THE THREE MONTHS ENDED DECEMBER 31, 2006 AND 2005

	Three months ended			
	31-Dec 2006	31-Dec 2005	Increase/(Decrease)	
	\$	\$	\$	
REVENUE	14,495,441	17,594,503	(3,099,062)	(18)%
COST OF GOODS SOLD	8,731,099	9,889,666	(1,158,567)	(12)%
GROSS MARGIN	<u>5,764,342</u> 40%	<u>7,704,837</u> 44%	<u>(1,940,495)</u>	(25)%
OPERATING EXPENSES				
Salaries and wages	3,776,427	3,484,718	291,709	8%
General and administrative	2,232,577	1,690,159	542,418	32%
Foreign exchange (gain)	(73,113)	(32,199)	(40,914)	(127)%
Interest	196,764	101,094	95,670	95%
Depreciation and amortization	<u>322,447</u>	<u>238,973</u>	<u>83,474</u>	35%
	6,455,102	5,482,745	972,357	18%
INCOME / (LOSS) BEFORE INCOME TAXES	<u>(690,760)</u>	<u>2,222,092</u>	<u>(2,912,852)</u>	(131)%
PROVISION FOR (RECOVERY OF) INCOME TAXES	<u>(178,861)</u>	<u>892,627</u>	<u>(1,071,488)</u>	(120)%
NET INCOME / (LOSS)	(511,899)	1,329,465	(1,841,364)	(139)%
Net Income / (Loss) per share - basic and diluted	(0.03)	0.07	(0.10)	(143)%

Total revenues for the three months ended December 31, 2006, were \$14,495,441 or 18% lower than the same period of the previous year due to reduced levels of drilling activity in Canada during the fourth quarter, and the timing of international shipments. Revenues from international sales were \$2,250,094 in the fourth quarter of 2006 compared to \$4,394,056 in the fourth quarter of 2005.

The gross margin for the three and twelve months ended December 31, 2006 was 40% and 47% respectively compared to 44% and 46% respectively for the same periods in 2005. In December 2006, Innicor expensed the cost of certain low dollar value parts and consumables held in inventory at its field locations. These items are used by the field stations to service and refurbish rental equipment. These items will be inventoried at the main warehouse in Calgary only, and will be expensed at the time they are requisitioned by the field stations. The value of the existing inventory of these items at the field stations totaling \$466,000 was included in the cost of goods sold as a one time expense, in the fourth quarter of 2006.

Salaries and wages rose during the fourth quarter of 2006 compared to the fourth quarter of 2005 by \$291,709 or 8% due to increased compensation levels and additional staff required to support the Company's growth initiatives. The increase in general and administrative expenses of \$542,418 during the same period includes a loss on disposal of redundant manufacturing equipment of \$100,905 in 2006 and increased professional fees associated with being a public company.

Interest expense for the three months ended December 31, 2006 increased by \$95,670 or 95% versus the three months ended December 31, 2005 due to the interest costs on the capital lease of new manufacturing equipment acquired in 2006, and an increase in the amount of the outstanding operating line to meet working capital requirements.

Depreciation and amortization expense during the fourth quarter of 2006, including depreciation of manufacturing assets, which is allocated to cost of goods sold, was \$592,047 versus \$520,655 in the fourth quarter of 2005. The increase is due to the depreciation of the new manufacturing equipment added in 2006. Depreciation and amortization of non-manufacturing assets was \$322,447 in the fourth quarter of 2006 compared to \$238,973 in the fourth quarter of 2005, reflecting the depreciation and amortization of additional vehicles, intellectual property and leasehold improvements acquired during 2006.

EBITDA was \$98,051 for the three months ended December 31, 2006, compared to \$2,843,841 in the same period in 2005. The net loss for the three month period ended December 31, 2006 was \$511,899 or \$0.03 per share basic and diluted, compared to net income of \$1,329,465 or \$0.07 per share basic and diluted in the corresponding period in 2005.

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005	Increase / (Decrease)	%
	\$	\$	\$	
REVENUES	62,279,529	55,259,619	7,019,910	13%
COST OF GOODS SOLD	32,772,236	29,821,206	2,951,030	10%
GROSS MARGIN	<u>29,507,293</u> 47%	<u>25,438,413</u> 46%	<u>4,068,880</u>	16%
OPERATING EXPENSES				
Salaries and wages	14,829,931	12,035,817	2,794,114	23%
General and administrative	8,519,030	7,201,055	1,317,975	18%
Foreign exchange (gain) / loss	(89,728)	106,326	(196,054)	(184)%
Depreciation and amortization	1,118,048	807,777	310,271	38%
Interest	<u>491,873</u>	<u>375,498</u>	<u>116,375</u>	31%
	24,869,154	20,526,473	4,342,681	21%
INCOME BEFORE INCOME TAXES	<u>4,638,139</u>	<u>4,911,940</u>	<u>(273,801)</u>	(6)%
PROVISION FOR INCOME TAXES	<u>1,764,021</u>	<u>1,985,619</u>	<u>(221,598)</u>	(11)%
NET INCOME	2,874,118	2,926,321	(52,203)	(2)%
Net Income per share				
-basic and diluted	0.16	0.16	0.00	0%

Total revenues for the year ended December 31, 2006 increased by \$7,019,910 or 13% compared to the same period in 2005. The increase in revenue is primarily due to increased oilfield activity levels in the first nine months of 2006 versus the first nine months of 2005 and market share gains in Canada. Revenue from sales to international customers declined in 2006 to \$11,110,212 from \$13,569,073 in 2005, primarily due to a focus on the increased demand domestically during the first half of the year and the lead time required developing new international markets. The gross margin in 2006 increased by \$4,068,880 or 16% over the previous year, and the gross margin as a percentage of sales increased to 47% in 2006 versus 46% in 2005. A higher proportion of revenue from rental and service in 2006 had a favorable impact on the gross margin offset by inventory adjustments including a one time item of \$466,000 recorded in December 2006 (see also results **FOR THE THREE MONTHS ENDED DECEMBER 31, 2006 AND 2005**).

Operating expenses for the twelve months ended December 31, 2006 were \$24,869,154 compared to \$20,526,473 during the same period in the previous year. Salaries and wages increased during the year by \$2,794,114 or 23% over the previous year. This increase is primarily due to the impact of programs undertaken to attract and retain employees in a very competitive labour market in western Canada. Approximately \$1 million of the increase was due to increases to base salaries and the cost of additional staff and another \$1 million was related to a performance based bonus plan and an employee retention plan implemented at the beginning of 2006. The cost of remunerating technicians that provided an increased level of service component at our customer's well sites resulted in an incremental labor cost of \$691,070 in 2006. Innicor had a total of 279 employees at the end of 2006 compared to 261 employees at the end of 2005.

General and administrative expenses incurred in 2006 were \$8,519,030 versus \$7,201,055 in 2005, an increase of \$1,317,975 or 18%. Following is a breakdown of the major components of the increase:

	<u>2006</u>	<u>2005</u>	<u>Increase</u>
Professional fees	\$1,105,549	\$840,411	\$265,138
Facilities costs and related expenses	1,401,563	1,237,130	164,433
Travel expenses including vehicle costs	2,297,328	2,114,842	182,486
Provision for liabilities related to a previous Acquisition	-	(299,500)	299,500
Other	<u>3,714,590</u>	<u>3,308,172</u>	<u>406,418</u>
	\$8,519,030	\$7,201,055	\$1,317,975

The increased professional fees are partially due to additional costs incurred as a public company complying with new securities and reporting requirements and incremental costs incurred in business development initiatives. Additional facilities costs are a result of opening three new sales and service outlets in 2005 and rate increases at existing facilities. Travel expenses and vehicle costs have increased due to an increase in the number of vehicles in the fleet and an increase in the cost of fuel.

The gain and loss on foreign exchange was due to fluctuations in the Canadian dollar that has been strengthening over the last two years. Interest expense for the year ended December 31, 2006, increased by \$116,375 or 31% over the same period in the previous year. The increase is due to additional interest expense on new capital leases for production equipment and vehicles, and on additional funds outstanding on the operating line to meet working capital requirements.

Total depreciation and amortization, including depreciation of manufacturing assets, which is allocated to cost of goods sold, was \$2,146,581 in the current year versus \$1,772,172, in 2005. Depreciation and amortization on non-manufacturing assets was \$1,118,048 in 2006 compared to \$807,777 in 2005. The increase is due to the additional manufacturing assets, equipment and leasehold improvements, and vehicles acquired through capital leases during the year.

EBITDA was \$7,276,593 during 2006, compared to \$7,059,610 in 2005, an increase of \$216,983. Income before income taxes for the year ended December 31, 2006 was \$4,638,139 compared to \$4,911,940 in the corresponding period of the previous year. Net income was \$2,874,118 in 2006 or \$0.16 per share basic and diluted, versus \$2,926,321 or \$0.16 per share basic and diluted in the previous year.

PRODUCT LINES

Innicor is engaged in the business of designing, manufacturing, renting, servicing, and selling equipment used in the completion phase or work-over of oil and gas wells. The completion phase is the final phase of oil and gas well development before a well goes into production. Innicor's customers are primarily exploration and production companies or other service providers that work for exploration and production companies during the well completion phase. Innicor's business is considered to be a single operating segment for reporting purposes consisting of a number of product lines. The product lines fall into two general categories: (i) perforating equipment and (ii) completion tools and services, and are sold in Canada and internationally.

Percentage Revenue Breakdown

2006 Revenue		2005 Revenue
13%	International Completions	14%
5%	International Perforating	11%
46%	Canada Completions	39%
36%	Canada Perforating	36%

OUTLOOK

Activity levels in the oilfield services sector have been impacted by some uncertainty related to oil and gas prices in the short term. Drilling activity in 2006 was below the record levels of drilling experienced in 2005. Taking into account the extremely high activity levels of the first quarter, the year over year reduction in wells drilled was due to lower activity levels for the third and fourth quarter of 2006. Industry analysts are expecting oilfield activity levels in 2007 to be below the levels achieved in 2006 in Canada. Reduced industry activity levels will have some impact on Innicor's business; however the Company is highly diversified geographically in Canada and its products are used in both oil and gas well operations and to some degree in the "workover" of producing wells as opposed to newly drilled wells. The success achieved to date in developing domestic and international markets is also expected to continue to contribute to the Company's revenue base for the remainder of the year and into the future.

QUARTERLY DATA
(\$ 000's except where noted)

	2006				2005			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	14,495	16,494	11,440	19,850	17,595	13,767	11,144	12,753
Cost of goods sold	<u>8,731</u>	<u>8,474</u>	<u>5,924</u>	<u>9,643</u>	<u>9,890</u>	<u>7,209</u>	<u>6,257</u>	<u>6,464</u>
Gross margin	5,764	8,020	5,516	10,207	7,705	6,558	4,887	6,289
Operating expenses	<u>6,455</u>	<u>6,448</u>	<u>5,523</u>	<u>6,443</u>	<u>5,483</u>	<u>5,231</u>	<u>4,863</u>	<u>4,951</u>
Income (Loss) before income taxes	(690)	1,572	(7)	3,764	2,222	1,327	24	1,338
Provision for income taxes	<u>(179)</u>	<u>601</u>	<u>58</u>	<u>1,283</u>	<u>893</u>	<u>530</u>	<u>86</u>	<u>477</u>
Net Income (loss)	<u>(512)</u>	<u>971</u>	<u>(65)</u>	<u>2,481</u>	<u>1,329</u>	<u>798</u>	<u>(62)</u>	<u>861</u>
Add back:								
Depreciation & Amortization	592	536	517	502	521	428	437	386
Interest	197	124	99	72	101	119	95	61
Taxes	<u>(179)</u>	<u>601</u>	<u>58</u>	<u>1,283</u>	<u>893</u>	<u>530</u>	<u>86</u>	<u>477</u>
EBITDA	<u>98</u>	<u>2,231</u>	<u>609</u>	<u>4,338</u>	<u>2,844</u>	<u>1,875</u>	<u>556</u>	<u>1,785</u>
Earnings (loss) per share (\$) – basic and diluted	(0.03)	0.05	0.00	0.14	0.07	0.04	0.00	0.05

Certain figures in the above table have been rounded accordingly to conform to the financial statements.

The seasonal nature of the business and the timing of business acquisitions impact the quarterly financial results. Financial performance in the second quarter of the year is normally not as strong as the other three quarters of the year. Weather conditions in Canada during the second quarter restrict access to a significant number of well sites as winter roads thaw and other roadways need to dry out before summer operations can be fully commenced. The impact of adverse weather conditions during the second quarter of 2005 and 2006 was prolonged by abnormally heavy rainfall. Oilfield activity in the second quarter of 2006 was also adversely impacted by lower gas prices. The financial results for the fourth quarter of 2006 were impacted by a reduction in Canadian drilling activity compared to the same period of the previous year and a one time adjustment to inventory recorded during the quarter.

Innicor Subsurface Technologies Inc.
CONSOLIDATED BALANCE SHEETS
December 31

	2006	2005
ASSETS		
CURRENT ASSETS		
Accounts receivable	\$ 12,309,850	\$ 10,554,833
Inventory	22,805,926	18,825,910
Prepaid expenses and deposits	327,510	1,054,905
	<u>35,443,286</u>	<u>30,435,648</u>
 CAPITAL ASSETS	 16,143,794	 11,695,846
 GOODWILL	 2,331,781	 2,331,781
	<u>53,918,861</u>	<u>44,463,275</u>
 LIABILITIES		
CURRENT LIABILITIES		
Operating loan	\$ 4,008,516	\$ 1,494,619
Accounts payable and accrued liabilities	7,198,086	7,526,488
Current portion of obligations under capital leases	1,758,333	1,044,768
Callable portion of long-term debt	425,523	554,355
	<u>13,390,458</u>	<u>10,620,230</u>
 OBLIGATIONS UNDER CAPITAL LEASES	 5,385,957	 2,675,256
 FUTURE INCOME TAX LIABILITY	 907,950	 335,605
	<u>19,684,365</u>	<u>13,631,091</u>
 SHAREHOLDERS' EQUITY		
Share capital	25,516,699	25,321,934
Contributed surplus	682,287	348,858
Retained Earnings	8,035,510	5,161,392
	<u>34,234,496</u>	<u>30,832,184</u>
	<u>53,918,861</u>	<u>44,463,275</u>

Innicor Subsurface Technologies Inc.
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
For the years ended
December 31

	2006	2005
REVENUE	\$ 62,279,529	\$ 55,259,619
COST OF GOODS SOLD	32,772,236	29,821,206
GROSS MARGIN	<u>29,507,293</u>	<u>25,438,413</u>
OPERATING EXPENSES		
Salaries and wages	14,829,931	12,035,817
General and administrative	8,519,030	7,201,055
Foreign exchange (gain) / loss	(89,728)	106,326
Interest	491,873	375,498
Depreciation and amortization	1,118,048	807,777
	<u>24,869,154</u>	<u>20,526,473</u>
INCOME BEFORE INCOME TAXES	4,638,139	4,911,940
PROVISION FOR INCOME TAXES		
Current	1,296,723	1,648,411
Future	467,298	337,208
	<u>1,764,021</u>	<u>2,000,000</u>
NET INCOME	2,874,118	2,926,321
RETAINED EARNINGS, beginning of year	<u>5,161,392</u>	<u>2,235,071</u>
RETAINED EARNINGS, end of year	<u>\$ 8,035,510</u>	<u>\$ 5,161,392</u>
NET INCOME PER SHARE		
Basic	<u>\$ 0.16</u>	<u>\$ 0.16</u>
Diluted	<u>\$ 0.16</u>	<u>\$ 0.16</u>

Innicor Subsurface Technologies Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended
December 31

	2006	2005
OPERATING ACTIVITIES		
Net Income	\$ 2,874,118	\$ 2,926,321
Add items not involving cash		
Depreciation and amortization	2,146,581	1,772,172
Future income taxes	467,298	337,208
Stock based compensation expense	337,162	228,554
Contingent shares issued	-	35,360
Loss on disposal of equipment	107,024	115,995
	<u>5,932,183</u>	<u>5,415,610</u>
Change in non-cash operating assets and liabilities	<u>(5,230,994)</u>	<u>(3,699,899)</u>
	<u>701,189</u>	<u>1,715,711</u>
INVESTING ACTIVITIES		
Proceeds on disposal of capital assets	3,541,792	1,261,963
Purchase of capital assets	<u>(5,402,065)</u>	<u>(2,310,576)</u>
	<u>(1,860,273)</u>	<u>(1,048,613)</u>
FINANCING ACTIVITIES		
Issue of share capital net of share issue costs	191,032	67,264
Proceeds of operating loan	2,513,897	310,861
Repayments of obligations under capital leases	<u>(1,417,013)</u>	<u>(916,634)</u>
Repayment of long-term debt	<u>(128,832)</u>	<u>(128,589)</u>
	<u>1,159,084</u>	<u>(667,098)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	-	-
CASH AND CASH EQUIVALENTS, beginning of year	-	-
CASH AND CASH EQUIVALENTS, end of year	<u>\$ -</u>	<u>\$ -</u>
Supplementary cash flow information:		
Interest paid	<u>\$ 491,873</u>	<u>\$ 375,498</u>
Income taxes paid	<u>\$ 2,292,558</u>	<u>\$ 1,189,928</u>
Capital assets acquired under capital leases	<u>\$ 4,841,279</u>	<u>\$ 2,277,076</u>

Certain information contained herein constitutes forward-looking information under applicable securities laws. All statements, other than statements of historical fact, which address activities, events or developments that we expect or anticipate may or will occur in the future, are forward-looking information. Forward-looking information typically contains statements with words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "potential", "targeting", "intend", "could", "might", "should", "believe" or similar words suggesting future outcomes or outlook. The following discussion is intended to identify certain factors, although not necessarily all factors, which could cause future outcomes to differ materially from those set forth in the forward-looking information. The risks and uncertainties that may affect the operations, performance, development and results of Innicor's businesses include, but are not limited to, the following factors: the availability of capital, supplies and costs of materials, the demand for Innicor's products, the level of exploration and development activity in the petroleum industry and changing market conditions. The reader is cautioned that these factors and risks are difficult to predict and that the assumptions used in the preparation of such information, although considered reasonably accurate by Innicor at the time of preparation, may prove to be incorrect or may not occur. Accordingly, readers are cautioned that the actual results achieved will vary from the information provided herein and the variations may be material. Readers are also cautioned that the foregoing list of factors and risks is not exhaustive. Additional information on these and other risks, uncertainties and factors that could affect Innicor's operations or financial results are included in our filings with the securities commissions or similar authorities in certain provinces of Canada, as may be updated from time to time. There is no representation by Innicor that actual results achieved will be the same in whole or in part as those set out in the forward-looking information. Furthermore, the forward-looking statements contained herein are made as of the date hereof, and Innicor does not undertake any obligation to update publicly or to revise any forward-looking information, whether as a result of new information, future events or otherwise. Any forward-looking information contained herein is expressly qualified by this cautionary statement.

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