



May 10, 2007

INNICOR RELEASES FINANCIAL RESULTS FOR FIRST QUARTER 2007

CALGARY, ALBERTA - Innicor Subsurface Technologies Inc. (TSX:IST), 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-month period ended March 31, 2007.

RECENT HIGHLIGHTS

- Recorded total revenues for the first quarter of 2007 of \$18,959,192; very near the record levels seen in the first quarter of 2006 despite an ongoing significant downturn in Canadian oilfield activity levels;
- Increased international revenue in the first quarter by 23% over the same period in the prior year;
- Opened a 13th Canadian sales and service outlet in Fort St. John, BC;
- Appointed regional managers responsible for sales and operations in Southeast Asia and the Middle East; and
- Expanded into a new facility adjacent to existing manufacturing and head office premises in early May.

“In the first quarter, we were able to report solid revenue numbers despite an ongoing and pronounced quarter-over-quarter decline in Canadian drilling and completions activity that began in the third quarter of 2006, thanks, in part, to a significant increase in international revenue,” said Delton Campbell, President and CEO of Innicor. “Growing international revenue remains a core piece of our overall growth strategy and we have already taken significant steps this year in the ongoing deployment of our international program by adding experienced regional management personnel to our Southeast Asia and Middle East operations and expanding our manufacturing and operational facilities in Calgary to support further activity worldwide.”

Innicor’s net income was \$1,619,352, or \$0.09 per share basic and diluted, for the three months ended March 31, 2007, compared to \$2,480,561, or \$0.14 per share basic and diluted, during the same period in 2006.

Innicor’s consolidated financial statements for the three months ended March 31, 2007 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 March 31

	2007	2006	% change
Total Revenues	\$18,959	\$19,850	(4) %
Gross Margin	9,772	10,207	(4) %
EBITDA*	3,382	4,338	(22) %
EBITDA - margin as a % of revenue	18%	22%	(4) pts
Net Income	1,619	2,481	(35) %
Net Income per share – basic and diluted	\$0.09	\$0.14	(36) %
Number of shares outstanding (weighted average)			
-basic	18,118,891	17,944,799	
-diluted	18,118,891	17,961,573	

*EBITDA, or earnings before interest, taxes, depreciation and amortization, is calculated in the above table by adding these items back to reported net income (see also "QUARTERLY DATA").

	Q1 2007	Q1 2006
Net Income	\$1,619	\$2,481
Taxes	889	1,283
Depreciation & Amortization	689	502
Interest	185	72
EBITDA	\$3,382	\$4,338

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.

FINANCIAL AND OPERATIONAL PERFORMANCE

Drilling activity levels in Canada throughout the first three months of 2007 were below the record high levels experienced in the first three months of 2006. A slowdown in drilling activity that began in the third quarter of 2006 continued into the fourth quarter of 2006 and the first quarter of 2007. 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.

On February 1, 2007, Innicor opened a new sales and service outlet in Fort St. John, British Columbia. Innicor now has distribution and service outlets in 13 locations in Alberta, Saskatchewan, and British Columbia that allow 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. Innicor has hired two regional managers that will be responsible for managing the Company's international operations at a local level, one based in Jakarta and the other based in Dubai. These expatriate employees have extensive international industry experience in their respective geographic regions.

FOR THE THREE MONTHS ENDED MARCH 31

	2007	2006	Increase / (Decrease)	
	\$	\$	\$	%
REVENUES				%
Domestic	15,907,045	17,377,918	(1,470,873)	(8)
International	3,052,147	2,471,782	580,365	23
	<u>18,959,192</u>	<u>19,849,700</u>	<u>(890,508)</u>	<u>(4)</u>
 COST OF GOODS SOLD	 <u>9,186,901</u>	 <u>9,642,687</u>	 <u>455,786</u>	 <u>(5)</u>
 GROSS MARGIN	 9,772,291 52 %	 10,207,013 51 %	 (434,722)	 (4)
 OPERATING EXPENSES				
Salaries and wages	4,495,959	4,162,135	333,824	8
General and administrative	2,201,324	1,949,323	252,001	13
Foreign exchange loss	15,379	2,701	12,678	469
Interest	185,048	71,961	113,087	157
Depreciation and amortization	366,446	256,618	109,828	43
	<u>7,264,156</u>	<u>6,442,738</u>	<u>821,418</u>	<u>13</u>
 INCOME BEFORE INCOME TAXES	 <u>2,508,135</u>	 <u>3,764,275</u>	 <u>(1,256,140)</u>	 <u>(33)</u>
 PROVISION FOR INCOME TAXES	 <u>888,783</u>	 <u>1,283,714</u>	 <u>(394,931)</u>	 <u>(31)</u>
 NET INCOME	 1,619,352	 2,480,561	 (861,209)	 (35)
 Net Income per share				
-basic and diluted	0.09	0.14	(0.05)	(36)

Total revenues for the three months ended March 31, 2007 were \$890,508 or 4% below total revenues for the same period in the previous year. Domestic revenues for the first quarter of 2007 were \$1,470,873 or 8% below domestic revenues for the first quarter of 2006, while revenue from international customers increased by \$580,365 or 23% over the same comparable period. The decline in domestic revenue is primarily due to the reduced level of oilfield activity in Canada in 2007 compared to 2006. The increase in international revenue is the result of a renewed focus on international customers and additional international marketing efforts initiated in 2006. The gross margin during the first quarter of 2007 decreased by \$434,722 or 4% compared to the first quarter of 2006. The gross margin percentage remained relatively the same in the first quarter of 2007 at 52% compared to the percentage gross margin of 51% in the first quarter of 2006.

Operating expenses for the three months ended March 31, 2007, increased by \$821,418 or 13% compared to the same period in the previous year. Salaries and wages increased during the same period by \$333,824 or 8% over the previous year. This increase is due to higher compensation levels and the incremental cost of remunerating technicians that provide consulting services at our customers' well sites. Innicor had a total of 264 employees at March 31, 2007, compared to 282 employees at March 31, 2006. The lower staff levels in 2007 are due to the impact of more efficient production equipment installed in 2006 and a recent reduction in the workforce in manufacturing due to lower levels of oilfield activity in Canada and the seasonal slow down anticipated in the second quarter. General and administrative expenses incurred in the first quarter of 2007 were \$2,201,324 versus \$1,949,323 in 2006, an increase of \$252,001 or 13%. This increase is primarily due to the cost of new sales and service outlets, rate increases at existing facilities, and an increase in vehicle costs and related expenses, and additional international travel expenses.

Interest expense for the three months ended March 31, 2007 increased by \$113,087 or 157% 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.

Total depreciation and amortization, including depreciation of manufacturing assets, which is allocated to cost of goods sold, was \$688,920 in the first quarter of 2007 versus \$501,776, in the first quarter of 2006. Depreciation and amortization on non-manufacturing assets was \$366,446 in the first three months of 2007 compared to \$256,618 in the first three months of 2006. The increase is due to the additional manufacturing assets, new software and implementation costs, and vehicles acquired through capital leases during the latter part of 2006.

EBITDA was \$3,382,103 in the first quarter of 2007, compared to \$4,338,012 in the first quarter of 2006. Net income for the three months ended March 31, 2007, was \$1,619,352, or \$0.09 per share basic and diluted, compared to net income of \$2,480,561, or \$0.14 per share basic and diluted, in the corresponding three months of 2006.

PRODUCT LINES

Innicor is in the business of designing, manufacturing, renting, servicing, and selling equipment used in the completion phase or "workover" 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 development companies during the well completion phase. Innicor's business is considered to be a single 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.

	Q1 2007	Q1 2006
	%	%
Perforating revenue	40	52
Completions revenue	60	48

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. Industry analysts are expecting oilfield activity levels in 2007 to be below the levels reached 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)

	2007		2006			2005		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	18,959	14,495	16,494	11,440	19,850	17,595	13,767	11,144
Cost of goods sold	<u>9,187</u>	<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>
Gross margin	9,772	5,764	8,020	5,516	10,207	7,705	6,558	4,887
Operating expenses	<u>7,264</u>	<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>
Income (loss) before income taxes	2,508	(690)	1,572	(7)	3,764	2,222	1,327	24
Provision for (recovery of) income taxes	<u>889</u>	<u>(179)</u>	<u>601</u>	<u>58</u>	<u>1,283</u>	<u>893</u>	<u>530</u>	<u>86</u>
Net Income (loss)	<u>1,619</u>	<u>(512)</u>	<u>971</u>	<u>(65)</u>	<u>2,481</u>	<u>1,329</u>	<u>798</u>	<u>(62)</u>
Add back:								
Depreciation & amortization	689	592	536	517	502	521	428	437
Interest	185	197	124	99	72	101	119	95
Taxes	<u>889</u>	<u>(179)</u>	<u>601</u>	<u>58</u>	<u>1,283</u>	<u>893</u>	<u>530</u>	<u>86</u>
EBITDA	<u>3,382</u>	<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>
Earnings (loss) per share (\$) – basic and diluted	0.09	(0.03)	0.05	0.00	0.14	0.07	0.04	0.00

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
(unaudited)

	March 31 2007	December 31 2006
ASSETS		
CURRENT ASSETS		
Accounts receivable	\$ 14,428,972	\$ 12,309,850
Inventory	21,328,484	22,805,926
Prepaid expenses and deposits	467,458	327,510
	<u>36,224,914</u>	<u>35,443,286</u>
CAPITAL ASSETS	15,628,172	16,143,794
GOODWILL	2,331,781	2,331,781
	<u>\$ 54,184,867</u>	<u>\$ 53,918,861</u>
LIABILITIES		
CURRENT LIABILITIES		
Operating loan	\$ 3,399,839	\$ 4,008,516
Accounts payable and accrued liabilities	6,660,762	7,198,086
Current portion of obligations under capital leases	1,748,104	1,758,333
Callable term debt	392,166	425,523
	<u>12,200,871</u>	<u>13,390,458</u>
OBLIGATIONS UNDER CAPITAL LEASES	5,016,698	5,385,957
FUTURE INCOME TAX LIABILITY	1,011,961	907,950
	<u>18,229,530</u>	<u>19,684,365</u>
SHAREHOLDERS' EQUITY		
Share capital	25,523,366	25,516,699
Contributed surplus	777,109	682,287
Retained Earnings	9,654,862	8,035,510
	<u>35,955,337</u>	<u>34,234,496</u>
	<u>\$ 54,184,867</u>	<u>\$ 53,918,861</u>

Innicor Subsurface Technologies Inc.**CONSOLIDATED STATEMENTS OF INCOME, COMPREHENSIVE INCOME AND RETAINED EARNINGS****For the three months ended****March 31**

(unaudited)

	2007	2006
REVENUE	\$ 18,959,192	\$ 19,849,700
COST OF GOODS SOLD	9,186,901	9,642,687
GROSS MARGIN	<u>9,772,291</u>	<u>10,207,013</u>
OPERATING EXPENSES		
Salaries and wages	4,495,959	4,162,135
General and administrative	2,201,324	1,949,323
Foreign exchange loss	15,379	2,701
Interest	185,048	71,961
Depreciation and amortization	366,446	256,618
	<u>7,264,156</u>	<u>6,442,738</u>
INCOME BEFORE INCOME TAXES	2,508,135	3,764,275
PROVISION FOR INCOME TAXES		
Current	802,715	1,250,567
Future	86,068	33,147
	<u>888,783</u>	<u>1,283,714</u>
NET INCOME	<u>1,619,352</u>	<u>2,480,561</u>
OTHER COMPREHENSIVE INCOME	<u>-</u>	<u>-</u>
COMPREHENSIVE INCOME	<u>1,619,352</u>	<u>2,480,561</u>
RETAINED EARNINGS, beginning of period	8,035,510	5,161,392
Accumulated other comprehensive income	<u>-</u>	<u>-</u>
RETAINED EARNINGS, end of period	<u>\$ 9,654,862</u>	<u>\$ 7,641,953</u>
NET INCOME PER SHARE		
Basic	<u>\$ 0.09</u>	<u>\$ 0.14</u>
Diluted	<u>\$ 0.09</u>	<u>\$ 0.14</u>

Innicor Subsurface Technologies Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended
March 31
(unaudited)

	2007	2006
OPERATING ACTIVITIES		
Net Income	\$ 1,619,352	\$ 2,480,561
Add items not involving cash		
Depreciation and amortization	688,920	501,776
Future income taxes	86,068	33,147
Stock based compensation expense	94,822	63,253
Gain on disposal of equipment	(1,077)	(774)
	<u>2,488,085</u>	<u>3,077,963</u>
Change in non-cash operating assets and liabilities	<u>(1,301,010)</u>	<u>(2,507,955)</u>
	<u>1,187,075</u>	<u>570,008</u>
INVESTING ACTIVITIES		
Proceeds on disposal of capital assets	17,842	40,433
Purchase of capital assets	(97,801)	(299,303)
	<u>(79,959)</u>	<u>(258,870)</u>
FINANCING ACTIVITIES		
Issue of share capital	6,667	94,332
Repayment of operating loan	(608,677)	(78,803)
Repayments of obligations under capital leases	(471,749)	(294,450)
Repayment of long-term debt	(33,357)	(32,217)
	<u>(1,107,116)</u>	<u>(311,138)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	-	-
CASH AND CASH EQUIVALENTS, beginning of period	-	-
CASH AND CASH EQUIVALENTS, end of period	<u>\$ -</u>	<u>\$ -</u>
Supplementary cash flow information:		
Interest paid	<u>\$ 185,048</u>	<u>\$ 71,961</u>
Income taxes paid	<u>\$ 507,000</u>	<u>\$ 815,000</u>
Capital assets acquired under capital leases	<u>\$ 92,261</u>	<u>\$ 454,428</u>

ABOUT INNICOR SUBSURFACE TECHNOLOGIES

Innicor is a manufacturing centered supplier of products and services used in the completion and production phase of oil and gas wells. The Company's products are sold in Canadian, U.S. and other international markets. Innicor's management plans to continue to expand through increased market share in both the Canadian and international markets and through diversification of product lines. As in the past, the Company will continue to acquire companies, product lines or other assets that are complementary to its business plan. Innicor is listed on the TSX under they symbol IST. For more information, please visit the Company's website at www.innicor.com .

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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