



March 19, 2008

**INNICOR RELEASES 2007 YEAR END AND FOURTH QUARTER FINANCIAL RESULTS**

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, 2007.

Total revenues for the fourth quarter of 2007 were \$15.2 million, compared with \$14.5 million in the fourth quarter of 2006. Revenues for the year ended December 31, 2007 were \$59.2 million compared with \$62.3 million during the same period in 2006.

Innicor reported net income of \$634,000, or \$0.04 per share basic and diluted, for the three months ended December 31, 2007, compared with a net loss of \$512,000, or (\$0.03) per share basic and diluted during the same period in 2006. For the year ended December 31, 2007, Innicor reported net income of \$519,000, or \$0.03 per share basic and diluted, compared with net income of \$2.9 million, or \$0.16 per share basic and diluted, in the year ended December 31, 2006.

“We delivered solid performance in 2007 considering the strong currency headwinds and further deterioration in business fundamentals in the Western Canadian Sedimentary Basin,” said Delton Campbell, President and CEO of Innicor. “Revenue was nearly flat on a year over year basis and we remained profitable despite western Canadian oilfield activity levels dropping by as much as 50% through parts of the year. Solid growth in our international business, particularly in the fourth quarter, allowed us to mitigate some of the impact of lower activity levels in our domestic markets.”

In 2007, lower prices for natural gas and uncertainty over the provincial oil and gas royalty structure in Alberta led to a continuation of reduced levels of oilfield activity in western Canada that began near the end of 2006. Industry analysts are expecting the lower activity levels experienced in 2007 to continue well into 2008 and to be below the levels reached in recent years in Canada.

“Revenue from international sources grew from 18% in 2006 to more than 22% in 2007 on the strength of enhanced sales and marketing initiatives in key markets,” said Campbell. “With a muted outlook for oilfield activity in western Canada in 2008, Innicor continues to focus on revenue-generating opportunities from international markets including our operations in Indonesia and the Middle East, which contributed to a 20% increase in international revenue in 2007.”

Innicor's consolidated financial statements for the three and twelve months ended December 31, 2007 and the associated management discussion and analysis will be filed on SEDAR and copies can be obtained at [www.sedar.com](http://www.sedar.com).

## HIGHLIGHTS

	Year Ended December 31 (\$000's except per share data)				
	2007	% Change	2006	% Change	2005
Total Revenues	59,238	(5) %	62,279	13 %	55,260
EBITDA*	4,580	(37) %	7,277	3 %	7,060
EBITDA - margin as a % of revenue	8%	(4) pt	12%	(1) pts	13%
Net Income	519	(82) %	2,874	(2) %	2,926
Net Income per share -basic and diluted (dollars per share)	0.03	(81) %	0.16	0 %	0.16
Total long-term liabilities	5,694	(10) %	6,294	109 %	3,011
Total assets at year end	52,350	(3) %	53,919	21 %	44,463

\*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**).

(\$000's)	2007 Q-4	2006 Q-4	2007 YTD	2006 YTD
Net Income (loss)	\$634	\$(512)	\$519	\$2,874
Income Taxes	285	(179)	515	1,764
Depreciation & Amortization	760	592	2,954	2,147
Interest	115	197	592	492
	\$1,794	\$98	\$4,580	\$7,277

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 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 2007 were significantly below the levels experienced in 2006. In the second quarter of 2007 in particular, activity levels in Canada were below the previous year by as much as 50 percent according to industry statistics. This softening of field activity was due in large part to declining natural gas prices and above average North American storage volumes of natural gas. This trend was exacerbated in the second quarter of 2007 when adverse weather conditions also contributed to a reduction in oilfield activity levels. Although activity levels in Canada improved in the third and fourth quarters compared to the second quarter of 2007 they still lag behind the previous year levels by approximately 30 percent.

In September of 2007 the Provincial Government of Alberta announced the results of a previously established Royalty Review Panel. The panel recommended increases to the current level of provincial royalties on oil and gas revenues derived from provincial oil and gas reserves. On October 25, 2007 the Provincial Government of Alberta announced changes to the province's oil and gas royalty structure based on some of the Royalty Review Panel's recommendations effective January 1, 2009. Many oil and gas exploration and production companies, industry analysts, and industry associations have predicted a further drop in activity in the coming year as a result of the uncertainty and cash flow reduction caused by the new royalty regime.

During 2007 the Canadian dollar strengthened significantly against the United States dollar and by year end had gained approximately 15% against the United States dollar. This had a direct effect on the Company's financial results with a charge of \$382,000 incurred during the year due to foreign currency translations, primarily the United States dollar. Canadian oil and gas producers as a whole are impacted by a strengthening Canadian dollar as it has the effect of lowering the price received for oil and gas as prices for these commodities are denominated in United States dollars.

**FOR THE THREE MONTHS ENDED DECEMBER 31**  
**(\$000's, except per share data)**

	<b>2007</b>	<b>2006</b>	<b>Increase / (Decrease)</b>	
	\$	\$	\$	%
REVENUES				
Domestic	11,858	12,245	(387)	(3)
International	3,375	2,250	1,125	50
	<u>15,233</u>	<u>14,495</u>	<u>738</u>	<u>5</u>
 COST OF GOODS SOLD	 <u>8,081</u>	 <u>8,731</u>	 <u>(650)</u>	 <u>(7)</u>
 GROSS MARGIN	 7,152 47%	 5,764 40%	 1,388	 24
 OPERATING EXPENSES				
Salaries and wages	3,568	3,776	(208)	(6)
General and administrative	2,124	2,233	(109)	(5)
Foreign exchange loss (gain)	4	(73)	77	105
Interest	115	197	(82)	(42)
Depreciation and amortization	422	322	100	31
	<u>6,233</u>	<u>6,455</u>	<u>(222)</u>	<u>(3)</u>
 INCOME (LOSS) BEFORE INCOME TAXES	 919	 (691)	 1,610	 233
 PROVISION FOR (RECOVERY OF) INCOME TAXES	 <u>285</u>	 <u>(179)</u>	 <u>464</u>	 <u>259</u>
 NET INCOME (LOSS)	 <u>634</u>	 <u>(512)</u>	 <u>1,146</u>	 <u>224</u>
 Net Income (Loss) per share -basic and diluted	 0.04	 (0.03)	 0.07	 233

Total revenues for the three months ended December 31, 2007 were \$15,233,000 or 5% above total revenues for the same period in the previous year. Domestic revenues for the fourth quarter of 2007 were \$387,000 or 3% below domestic revenues for the fourth quarter of 2006, while revenue from international customers increased by \$1,125,000 or 50% in the fourth quarter of 2007 versus the fourth quarter of 2006. 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 revenues is the result of additional sales and marketing initiatives undertaken during the year focused on international customers

The gross margin during the fourth quarter of 2007 increased by \$1,388,000 or 24% compared to the fourth quarter of 2006. The gross margin percentage for the three months ended December 31, 2007 was 47% compared to 40% in the same period in 2006. The margin improvement in 2007 is due to increased revenues in the current year and one time expenses recorded in the fourth quarter of 2006. 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 are now inventoried at the main warehouse in Calgary only, and are expensed at the time they are requisitioned by the field stations. The value of the existing inventory of these items at the field stations totaled \$466,000, at December 31, 2006 and was included in the cost of goods sold as a one time expense, in the fourth quarter of 2006.

Salaries and wages declined during the fourth quarter of 2007 compared to the fourth quarter of 2006 by \$208,000 or 6%. This was due to lower staff levels resulting from a number of vacant positions and a reduction in the cost of remunerating field service technicians due to reduced activity levels in Canada. General and administrative expenses in the last three months of 2007 were \$109,000 or 5% below the comparable expenses incurred in the same period in 2006.

Interest expense for the three months ended December 31, 2007 decreased by \$82,000 or 42% versus the three months ended December 31, 2006 due to a reduction in the amount of the outstanding operating line to meet working capital requirements.

Depreciation and amortization expense during the fourth quarter of 2007, including depreciation of manufacturing assets, which is allocated to cost of goods sold, was \$760,000 versus \$592,000 in the fourth quarter of 2006. The increase is due to the depreciation of the new manufacturing equipment added in 2006. Depreciation and amortization of non-manufacturing assets was \$422,000 in the fourth quarter of 2007 compared to \$322,000 in the fourth quarter of 2006, reflecting the depreciation and amortization of additional vehicles, new software and implementation costs and leasehold improvements acquired during 2007.

EBITDA was \$1,794,000 for the three months ended December 31, 2007, compared to \$98,000 in the same period in 2006. For a reconciliation of EBITDA to net income, see **HIGHLIGHTS**. The net income for the three month period ended December 31, 2007 was \$634,000 or \$0.04 per share basic and diluted, compared to a loss of \$512,000 or \$0.03 per share basic and diluted in the corresponding period in 2006.

During the three months ended December 31, 2007, cash flow from operating activities, including the change in non-cash operating assets and liabilities was \$2,218,000 compared to \$1,066,000 in the same period of the previous year. The increase is primarily due to a decrease in non – cash operating assets and liabilities and net income for the three month period.

**FOR THE TWELVE MONTHS ENDED DECEMBER 31**  
**(\$000's, except per share data)**

	<b>2007</b>	<b>2006</b>	<b>Increase / (Decrease)</b>	
	\$	\$	\$	%
REVENUES				
Domestic	45,869	51,169	(5,300)	(10)
International	13,369	11,110	2,259	20
	<u>59,238</u>	<u>62,279</u>	<u>(3,041)</u>	<u>(5)</u>
 COST OF GOODS SOLD	 <u>31,795</u>	 <u>32,772</u>	 <u>(977)</u>	 <u>(3)</u>
 GROSS MARGIN	 27,443 46%	 29,507 47%	 (2,064)	 (7)
 OPERATING EXPENSES				
Salaries and wages	15,096	14,830	266	2
General and administrative	8,722	8,519	203	2
Foreign exchange loss (gain)	382	(90)	472	N/M*
Interest	592	492	100	20
Depreciation and amortization	1,617	1,118	499	45
	<u>26,409</u>	<u>24,869</u>	<u>1,540</u>	<u>6</u>
 INCOME BEFORE INCOME TAXES	 1,034	 4,638	 (3,604)	 (78)
 PROVISION FOR INCOME TAXES	 <u>515</u>	 <u>1,764</u>	 <u>(1,249)</u>	 <u>(71)</u>
 NET INCOME	 <u>519</u>	 <u>2,874</u>	 <u>(2,355)</u>	 <u>(82)</u>
 Net Income per share -basic and diluted	 0.03	 0.16	 (0.13)	 (81)

\*N/M – non meaningful

Total revenues for the year ended December 31, 2007 decreased by \$3,041,000 or 5% compared to the same period in 2006. Domestic revenues for the twelve months ended December 31, 2007 were \$5,300,000 or 10% below last years levels, while revenue from international customers increased by \$2,259,000 or 20% over the same 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 revenues is the result of additional sales and marketing initiatives undertaken during the year focused on international customers. Revenue from international customers represented 23% of total revenues in 2007 compared to 18% in 2006. The gross margin in 2007 decreased by \$2,064,000 or 7% over the previous year, primarily due to a 5% reduction in annual revenues, and the gross margin as a percentage of sales was 46% in 2007 versus 47% in 2006.

Operating expenses for the twelve months ended December 31, 2007 were \$26,409,000 compared to \$24,869,000 during the same period in the previous year. Salaries and wages increased during the year by \$266,000 or 2% over the previous year. This increase is due to higher salary and wage rates offset by lower staff levels and profit based incentive payments. Innicor had a total of 263 employees at the end of 2007 compared to 279 employees at the end of 2006.

General and administrative expenses incurred in 2007 were \$8,722,000 versus \$8,519,000 in 2006, an increase of \$203,000 or 2%. Following is a breakdown of the major components of the increase:

(\$000's)	<u>2007</u>	<u>2006</u>	<u>Increase / (Decrease)</u>
Professional fees	\$1,026	\$1,106	\$(80)
Facilities costs and related expenses	1,869	1,402	467
Travel expenses including vehicle costs	2,306	2,297	9
Other	<u>3,521</u>	<u>3,714</u>	<u>(193)</u>
	\$8,722	\$8,519	\$203

The increase in facilities costs in 2007 is primarily due to the addition of new facilities in Calgary to house Innicor's completion tool assembly and distribution operations and the cost of a new sales and service outlet in Fort St. John.

The loss on foreign exchange was due to the strengthening of the Canadian dollar in 2007 versus the United States dollar. Interest expense for the year ended December 31, 2007, increased by \$100,000 or 20% over the same period in the previous year. The increase is due to additional interest expense on new capital leases for vehicles acquired during the year and the full annual impact of capital leases for production equipment acquired in 2006, offset by a reduction in the balance of the operating line.

Total depreciation and amortization, including depreciation of manufacturing assets, which is allocated to cost of goods sold, was \$2,954,000 in the current year versus \$2,147,000, in 2006. Depreciation and amortization on non-manufacturing assets was \$1,617,000 in 2007 compared to \$1,118,000 in 2006. The increase is due to the additional manufacturing assets, equipment and leasehold improvements acquired during 2007 and 2006, and systems development costs incurred during the same periods.

EBITDA was \$4,580,000 during 2007, compared to \$7,277,000 in 2006, a decrease of \$2,697,000. For a reconciliation of EBITDA to net income, see **HIGHLIGHTS**. Income before income taxes for the year ended December 31, 2007 was \$1,034,000 compared to \$4,638,000 in the corresponding period of the previous year. Net income was \$519,000 in 2007 or \$0.03 per share basic and diluted, versus \$2,874,000 or \$0.16 per share basic and diluted in the previous year.

### ***PRODUCT LINES***

Innicor is 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 oil and gas 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 related product lines.

## ***LIQUIDITY AND CAPITAL RESOURCES***

During the year ended December 31, 2007, cash flow from operating activities, including the change in non-cash operating assets and liabilities was \$6,019,000 compared to \$701,000 in the same period of the previous year. Cash flow from operating activities was impacted by a decrease of \$1,916,000 in non-cash operating assets and liabilities in 2007 (2006 - increase of \$5,231,000).

Capital expenditures on plant and equipment during 2007 were \$1,271,000, compared to \$5,402,000 in 2006. The expenditures in 2007 were primarily for the replacement of aging manufacturing and shop equipment as well as computers. The expenditures in 2006 were primarily related to manufacturing and production equipment to increase the Company's production capacity. Also included in the capital expenditures for 2006 was a cost of \$752,000 to acquire and install the new ERP software and related hardware, and \$400,000 to acquire intellectual property and proprietary tool designs.

Debt and capital lease repayments were \$2,132,000 in 2007 versus \$1,546,000 in 2006. The amount owing on the operating line decreased by \$3,305,000 to \$703,000 during 2007, due to the application of positive cash flow from operations. At December 31, 2007, Innicor had a positive working capital position of \$23,510,000 and a working capital ratio of 3.1:1 compared to a working capital position of \$22,053,000 or a ratio of 2.7:1, at December 31, 2006. The primary reason for the increase in the working capital position is the reduction in the amount outstanding on the operating line.

In October 2005, Innicor renegotiated certain aspects of its credit facility at its existing bank. The changes provide the Company access to a total of over \$18,000,000 available for capital and operating purposes. At December 31, 2007, Innicor had approximately \$10,000,000 available on its operating line and approximately \$6,500,000 available for capital purposes under the facility.

Management believes that the current working capital position and access to funds available through its credit facility, together with positive cash flow from operations, will enable Innicor to meet its near term operating and capital requirements.

### ***CONTRACTUAL OBLIGATIONS***

***(\$000's)***

	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Term Debt (1)	\$289	\$289	\$-	\$-	\$-
Capital Lease Obligations	7,173	2,261	3,756	1,156	-
Operating Leases (2)	<u>9,590</u>	<u>1,795</u>	<u>3,125</u>	<u>2,601</u>	<u>2,069</u>
Total	<u>\$17,052</u>	<u>\$4,345</u>	<u>\$6,881</u>	<u>\$3,757</u>	<u>\$2,069</u>

(1) Term debt with principal repayments calculated on a 60 month amortization period.

(2) Primarily facilities leases.

## ***OUTLOOK***

Activity levels in the oilfield services sector in Canada have been impacted by uncertainty related primarily to gas prices in the short term. Industry analysts are expecting the lower activity levels experienced in 2007 to continue well into 2008. The recently announced changes to the provincial royalty structure on oil and gas revenues could also have a negative impact on oilfield activity levels in western Canada. Reduced industry activity levels in Canada will have some impact on Innicor's business; however the Company is diversified geographically in Canada and internationally 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 per share data)*

	<b>2007</b>				<b>2006</b>			
	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>
Revenue	15,233	15,642	9,403	18,959	14,495	16,494	11,440	19,850
Cost of goods sold	<u>8,081</u>	<u>8,497</u>	<u>6,029</u>	<u>9,187</u>	<u>8,731</u>	<u>8,474</u>	<u>5,924</u>	<u>9,643</u>
Gross margin	7,152	7,145	3,374	9,772	5,764	8,020	5,516	10,207
Operating expenses	<u>6,233</u>	<u>6,590</u>	<u>6,323</u>	<u>7,264</u>	<u>6,455</u>	<u>6,448</u>	<u>5,523</u>	<u>6,443</u>
Income (loss) before income taxes	919	555	(2,949)	2,508	(690)	1,572	(7)	3,764
Provision for (recovery of) income taxes	<u>285</u>	<u>175</u>	<u>(835)</u>	<u>889</u>	<u>(179)</u>	<u>601</u>	<u>58</u>	<u>1,283</u>
Net Income (loss)	<u>634</u>	<u>380</u>	<u>(2,114)</u>	<u>1,619</u>	<u>(512)</u>	<u>971</u>	<u>(65)</u>	<u>2,481</u>
Add back: Depreciation & amortization	760	782	723	689	592	536	517	502
Interest	115	163	129	185	197	124	99	72
Taxes	<u>285</u>	<u>175</u>	<u>(835)</u>	<u>889</u>	<u>(179)</u>	<u>601</u>	<u>58</u>	<u>1,283</u>
EBITDA	<u>1,794</u>	<u>1,500</u>	<u>(2,096)</u>	<u>3,382</u>	<u>98</u>	<u>2,231</u>	<u>609</u>	<u>4,338</u>
Net Income (loss) per share (\$) – basic and diluted	0.04	0.02	(0.12)	0.09	(0.03)	0.05	0.00	0.14

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 in the second quarter of 2007 was more severe than normal, and concerns over gas prices and over supply caused a dramatic reduction in oilfield activity in western Canada in the second quarter of 2007. 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**

	2007	2006
(\$000's)		
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Accounts receivable	\$ 11,669	\$12,310
Inventory	22,342	22,806
Prepaid expenses and deposits	720	327
	<u>34,731</u>	<u>35,443</u>
<b>CAPITAL ASSETS</b>	15,287	16,144
<b>GOODWILL</b>	2,332	2,332
	<u>\$ 52,350</u>	<u>\$53,919</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Operating loan	\$ 703	\$ 4,008
Accounts payable and accrued liabilities	8,330	7,198
Current portion of obligations under capital leases	1,899	1,758
Callable portion of long-term debt	289	426
	<u>11,221</u>	<u>13,390</u>
<b>OBLIGATIONS UNDER CAPITAL LEASES</b>	4,508	5,386
<b>FUTURE INCOME TAX LIABILITY</b>	1,186	908
	<u>16,915</u>	<u>19,684</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	25,804	25,517
Contributed surplus	1,076	682
Retained Earnings	8,555	8,036
	<u>35,435</u>	<u>34,235</u>
	<u>\$ 52,350</u>	<u>\$53,919</u>

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

	<b>2007</b>	2006
(\$000's, except per share amounts)		
REVENUE	<b>\$ 59,238</b>	\$62,279
COST OF GOODS SOLD	<b>31,795</b>	32,772
GROSS MARGIN	<u><b>27,443</b></u>	<u>29,507</u>
OPERATING EXPENSES		
Salaries and wages	<b>15,096</b>	14,830
General and administrative	<b>8,722</b>	8,519
Foreign exchange (gain) / loss	<b>382</b>	(90)
Interest	<b>592</b>	492
Depreciation and amortization	<b>1,617</b>	1,118
	<u><b>26,409</b></u>	<u>24,869</u>
INCOME BEFORE INCOME TAXES	<b>1,034</b>	4,638
PROVISION FOR INCOME TAXES		
Current	<b>309</b>	1,297
Future	<b>206</b>	467
	<u><b>515</b></u>	<u>1,764</u>
NET INCOME	<b>519</b>	2,874
RETAINED EARNINGS, beginning of year	<u><b>8,036</b></u>	<u>5,162</u>
RETAINED EARNINGS, end of year	<u><b>\$ 8,555</b></u>	<u>\$ 8,036</u>
NET INCOME PER SHARE		
Basic	<u><b>\$ 0.03</b></u>	<u>\$ 0.16</u>
Diluted	<u><b>\$ 0.03</b></u>	<u>\$ 0.16</u>

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME AND**  
**ACCUMULATED OTHER COMPREHENSIVE INCOME**  
**For the years ended**  
**December 31**

	<b>2007</b>	2006
(\$000's)		
NET INCOME	<b>\$ 519</b>	\$ 2,874
OTHER COMPREHENSIVE INCOME	<u>-</u>	<u>-</u>
COMPREHENSIVE INCOME	<b>\$ 519</b>	\$ 2,874
Accumulated other comprehensive income, beginning of year	-	-
Other comprehensive income	<u>-</u>	<u>-</u>
Accumulated other comprehensive income, end of year	<u><b>\$ -</b></u>	<u>\$ -</u>

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

	2007	2006
(\$000's)		
<b>OPERATING ACTIVITIES</b>		
Net Income	\$ 519	\$2,874
Add items not involving cash		
Depreciation and amortization	2,954	2,147
Future income taxes	206	467
Stock based compensation expense	401	337
Loss on disposal of equipment	23	107
	<u>4,103</u>	<u>5,932</u>
Change in non-cash operating assets and liabilities	<u>1,916</u>	<u>(5,231)</u>
	<u>6,019</u>	<u>701</u>
<b>INVESTING ACTIVITIES</b>		
Proceeds on disposal of capital assets	409	3,542
Purchase of capital assets	<u>(1,271)</u>	<u>(5,402)</u>
	<u>(862)</u>	<u>(1,860)</u>
<b>FINANCING ACTIVITIES</b>		
Issue of share capital, net of share issue costs	280	191
Proceeds (repayments) of operating loan	<u>(3,305)</u>	2,514
Repayments of obligations under capital leases	<u>(1,996)</u>	<u>(1,417)</u>
Repayment of long-term debt	<u>(136)</u>	<u>(129)</u>
	<u>(5,157)</u>	<u>1,159</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	-	-
CASH AND CASH EQUIVALENTS, beginning of year	-	-
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ -</u>	<u>\$ -</u>
<b>Supplementary cash flow information:</b>		
<b>Interest paid</b>	<u>\$ 592</u>	<u>\$ 492</u>
<b>Income taxes paid</b>	<u>\$ 359</u>	<u>\$2,293</u>
<b>Capital assets acquired under capital leases</b>	<u>\$ 1,259</u>	<u>\$4,841</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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