



Coretec Inc. announces third quarter earnings per share of \$0.02 vs. a loss of \$0.08 in the third quarter of 2005

Fourth consecutive quarterly profit

***Net Income at \$0.4 million as compared to a loss of \$1.3 million in prior year period
Year over year, quarterly revenue increase of 7% to \$21.3 million***

Toronto, Ontario, October 31, 2006 - Coretec Inc. (TSX: CYY) today reported its financial results for the third quarter of 2006. Sales in the 2006 third quarter were \$21.3 million representing a 7% increase over third quarter 2005 sales of \$19.9 million.

For the three-month period ending September 30, 2006, Coretec reported net income of \$0.4 million or \$0.02 per share versus a net loss of \$1.3 million or (\$0.08) per share for the same period in 2005. The profit in the third quarter of 2006 represents the fourth consecutive quarterly profit the Company has achieved. Over the past four quarters the Company recorded total sales of \$89.4 million and net income of \$1.7 million or \$0.09 per share.

For the year-to-date period, the Company reported net income of \$1.5 million or \$0.08 per share on sales of \$67.8 million compared to a net loss of \$3.4 million or (\$0.20) per share on sales of \$59.0 million in the 2005 year-to-date period. Gross profit as a percentage of sales increased to 24% in the third quarter of 2006, versus 20% in the prior year period. Earnings before interest, taxes, depreciation and amortization (EBITDA) in the third quarter of 2006 was \$1.8 million, compared to EBITDA of \$0.3 million in the third quarter of 2005. On a year-to-date basis EBITDA was \$5.8 million versus \$1.5 million for the first nine months of 2005. During the third quarter of 2006 the Company expended \$2.4 million on capital additions, including \$0.4 million on capital equipment and \$2.0 million on the property and building associated with its Denver operations. Total capital expenditures for 2006 year-to-date were \$4.3 million.

"Over the past 12 months we have been able to achieve consistent profitability despite a number of challenges that are common to the industry as well as unique to PCB companies based outside the US. The PCB industry is experiencing meaningful inflation in operating costs, namely utilities and raw materials, i.e. metals and resins. However, the inflationary pressures in our industry are being felt worldwide which is forcing and enabling PCB companies en masse to pass through to end users their increased costs. Additionally, the strength of the Canadian dollar versus the US dollar over the past year has affected the financial performance of Canadian PCB manufacturers, such as Coretec, who rely heavily on export sales to the US. Approximately 80% of our revenues are denominated in US dollars which have weakened against the Canadian dollar. Offsetting this drag on our bottom line is the fact that the majority of our raw materials and supplies as well as maintenance contracts are purchased in US dollars. From a

balance sheet perspective we are also partially hedged by virtue of having US indebtedness and by the fact that the majority of our capital equipment is procured outside of Canada. Furthermore, our US based operations offer a further hedge against exchange rate variation. The fact that the Canadian dollar has stabilized somewhat versus the US dollar over the past six months has helped us plan our business more effectively and achieve more consistent financial performance”, said Paul Langston, President.

Mr. Langston continued, “we have experienced increased bookings activity across all segments of our business since late Q3. If this trend is maintained we expect to generate sequential gains in our revenues in Q4 versus Q3. Of particular note is renewed strength in our offshore brokering business as compared to particularly weak conditions in Q3.”

“Our balance sheet continues to strengthen as a result of our positive cash flow as does the Company’s liquidity position. As of September 30, 2006 our working capital was \$9.6 million as compared to \$8.7 million at the end of 2005”, said Mr. Langston.

Coretec is one of the leading designers and fabricators of printed circuit boards for the prototype and quick turnaround production segments of the North American and European markets. Coretec distinguishes itself from its competitors by providing complete printed circuit board solutions, including design, advanced prototyping and quick turnaround production across an outstanding range of product technologies.

This news release may include statements about future expectations, plans and prospects that may constitute forward-looking statements. Please be cautioned that any such forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties. Actual results or developments may vary materially from those projected or implied in the forward-looking statements as a result of any number of factors, including currency exchange rate fluctuations; variability of operating results; dependence on certain industries; management of growth and expansion; integration of operations; ability to attract and retain key personnel; nature of sales; product complexity and product defects; international operations; material cost fluctuations and limited availability of raw materials; potential loss of customers; competition; industry contraction and slow economic growth; technological change and process development; environmental liability; need for additional financing; product liability; pricing pressure; ability to reduce costs; and other risks listed in Coretec's public disclosure documents and other filings with securities regulatory authorities found at www.sedar.com.

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Coretec Inc.

CONSOLIDATED BALANCE SHEETS

[in thousands - unaudited]

	September 30, 2006 \$	December 31, 2005 \$
ASSETS		
Current		
Cash and cash equivalents	359	1,728
Restricted short term deposit	-	1,057
Accounts receivable	14,575	14,471
Inventories	4,994	4,312
Income taxes recoverable	55	182
Prepaid expenses	1,077	1,341
Total current assets	21,060	23,091
Mortgage receivable	1,050	1,050
Property, plant and equipment, net	25,954	25,478
Other assets	357	633
	48,421	50,252
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness	40	2,599
Accounts payable and accrued liabilities	9,785	10,257
Current portion of long-term debt	1,677	1,554
Total current liabilities	11,502	14,410
Long-term debt	4,636	5,214
Total liabilities	16,138	19,624
Shareholders' equity		
Share capital	61,059	61,036
Contributed surplus	588	459
Deficit	(29,364)	(30,867)
Total shareholders' equity	32,283	30,628
	48,421	50,252

Coretec Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS

[in thousands except per share amounts - unaudited]

	Three months ended September 30,		Nine months ended September 30,	
	2006	2005	2006	2005
	\$	\$	\$	\$
Sales	21,257	19,926	67,775	58,993
Cost of sales	16,222	15,902	51,319	46,599
Gross profit	5,035	4,024	16,456	12,394
Expenses				
Selling, general and administrative	3,265	3,705	10,328	10,173
Depreciation and amortization	1,229	1,419	3,789	4,444
	4,494	5,124	14,117	14,617
Income (loss) from operations	541	(1,100)	2,339	(2,223)
Terminated merger costs	-	42	-	576
Interest and other expenses	179	255	539	762
Foreign exchange loss	2	17	82	159
Write-down of fixed assets	-	-	215	-
Income (loss) from continuing operations	360	(1,414)	1,503	(3,720)
Income from discontinued operations	-	160	-	281
Net income (loss) for the period	360	(1,254)	1,503	(3,439)
Earnings (loss) per share				
From continuing operations basic and diluted	\$0.02	\$(0.08)	\$0.08	\$(0.20)
Net earnings (loss) per share basic and diluted	\$0.02	\$(0.07)	\$0.08	\$(0.18)

Coretec Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

[in thousands - unaudited]

	Three months ended September 30,		Nine months ended September 30,	
	2006	2005	2006	2005
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Income (loss) for the period				
from continuing operations	360	(1,414)	1,503	(3,720)
Non-cash items				
Depreciation & amortization	1,229	1,419	3,789	4,444
Stock-based compensation	57	106	129	315
Write-down of fixed assets	-	-	215	-
Unrealized foreign exchange loss (gain)	(111)	108	314	635
Amortization of deferred finance charges	34	54	56	161
	1,569	273	6,006	1,835
Net change in non-cash working capital balances related to operations	1,000	211	(1,254)	123
Cash provided by operating activities	2,569	484	4,752	1,958
FINANCING ACTIVITIES				
Repayment of long-term debt	(377)	(632)	(1,829)	(1,301)
Increase (decrease) in bank indebtedness	(1,718)	1,177	(2,559)	378
Repayment of shareholder loan	8	22	23	37
Cash (used in) provided by financing activities	(2,087)	567	(4,365)	(886)
INVESTING ACTIVITIES				
Purchase of capital assets	(763)	(524)	(2,594)	(2,385)
Decrease in short-term deposit	-	-	1,057	-
Increase in other assets	(188)	(606)	(188)	(544)
Cash used in investing activities	(952)	(1,130)	(1,726)	(2,929)
Effect of exchange rate changes on cash	5	5	(31)	12
Net decrease in cash during the period	(464)	(74)	(1,369)	(1,845)
Change in cash from discontinued operations	-	306	-	1,805
Cash, beginning of period	823	82	1,728	354
Cash, end of period	359	314	359	314
Supplemental cash flow information				
Interest paid	120	183	461	659
Income taxes paid	-	-	-	63

Coretec Inc.
Selected financial Information (000's)

	<u>Q3/06</u>	<u>Q3/05</u>	<i>% Change</i>	<u>Q2/06</u>	<i>% Change Q3/Q2</i>
Continuing operations:					
Revenue	21,257	19,926	7%	22,402	-5%
Gross Profit	5,035	4,024	25%	5,191	-3%
Income (loss)	360	(1,254)	N/A	383	-6%
	<u>Q3/06</u>	<u>Q2/05</u>	<i>% Change</i>	<u>Q2/06</u>	<i>% Change Q3/Q2</i>
Reconciliation of EBITDA* from continuing operations:					
Income (loss) for the period from continuing operations	360	(1,414)		383	
Add/(Deduct):					
Interest	179	255		179	
Depreciation and Amortization	1,229	1,419		1,257	
Provision for income tax	-	-		-	
EBITDA from continuing operations	1,768	260	320%	1,819	-3%

* EBITDA is not a measure recognized under Canadian generally accepted accounting principles ("GAAP"). EBITDA is calculated as earnings before interest and certain other expenses, provision for income taxes, and depreciation and amortization. Management believes that many of the Company's shareholders, creditors, other stakeholders and analysts prefer to assess the Company's performance using EBITDA in addition to the GAAP measures. The Company's method of calculating EBITDA may differ from other companies and accordingly may not be comparable to measures used by other companies.