

Coretec Announces Second Quarter 2008 Results
Q2 loss of \$0.01 per share on revenues of \$19.4 million

Toronto, Ontario, August 7, 2008 - Coretec Inc. (TSX: CYY) today reported its financial results for the second quarter ended June 30, 2008. Sales in the 2008 second quarter were \$19.4 million, an increase of \$0.9 million sequentially or 5% as compared to sales of \$18.5 million in Q1 2008, and down \$2.4 million or 11% from sales of \$21.8 million in the same period of the prior year.

In the 2008 second quarter, the Company recorded gross profit of \$3.7 million or 18.9% of sales, an increase of \$0.9 million sequentially or 32% as compared to gross profit of \$2.8 million in Q1 2008, and down \$0.5 million or 12% from gross profit of \$4.2 in the comparable period in 2007.

A loss of \$0.2 million or \$0.01 per share was recorded in the 2008 second quarter, an improvement of \$0.8 million sequentially as compared to a loss of \$1.0 million or \$0.06 per share in Q1 2008, and an improvement of \$0.4 million as compared to the prior year quarter which had a net loss of \$0.6 million or \$0.03 per share. The 2008 second quarter included \$0.1 million of foreign exchange losses and costs associated with terminations and severances of \$0.1 million. This compares with a loss on foreign exchange of \$0.4 million in Q2 2007 offset by a gain of \$0.1 million on sale of fixed assets. In Q1 2008 the Company had costs associated with terminations and severances of \$0.2 million and minimal gains or losses vis-à-vis the sale of fixed assets or related to foreign exchange.

Earnings before interest, taxes, depreciation and amortization (“EBITDA”) in the second quarter of 2008 was \$1.0 million, as compared to EBITDA of \$0.3 million in Q1 2008 and \$0.9 million in the second quarter of 2007.

“Greater than 80% of our sales are denominated in US dollars. In Q2 2008 the US dollar exchange rate relative to the Canadian dollar was predominantly at or below parity whereas in Q2 2007 it was as high as 1.16. This relative decline in value of the US dollar has unfortunately had a meaningfully negative impact on our year over year revenues as expressed in Canadian dollars. Additionally, greater than 70% of corporate sales are generated in our Toronto operations, where the majority of costs are Canadian dollar denominated. The combination of the foreign exchange issue and input inflation (copper, gold, silver, specialty chemicals, etc.) has put our product margins under significant pressure. We are therefore pleased with our growth in revenues sequentially as well as our ability to control costs in a challenging foreign exchange and inflationary environment,” said Paul Langston, President and CEO of Coretec Inc.

“The transfer of processes from the Company’s leased premises (Ellesmere facility) to its owned plant (Sheppard site) intensified in the second quarter. Effective July, all plating processes were consolidated at the Sheppard plant and by the end of Q4, approximately half of the floor space at the Company’s Ellesmere facility will be decommissioned. As the consolidation continues we look forward to realizing meaningful overhead savings and productivity gains”, continued Mr. Langston.

Mr. Langston said, “Both of our US plants experienced improvements in demand and financial performance in the second quarter versus earlier in the year. Our offshore business also gained momentum towards the end of Q2 with respect to business activity levels. We expect that demand for the services that the Denver and Cleveland plants offer as well as our offshore brokerage business will remain healthy as a result of several new customer approvals and program wins”.

Mr. Langston continued, “We are also pleased to announce the implementation of additional financing facilities with the Business Development Bank of Canada. A CAD\$3 million expanded mortgage facility has been finalized as relates to our Sheppard site and a USD\$3 million capital equipment line has been instituted to facilitate new technology investments”.

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 an extensive suite of printed circuit board services including field applications engineering support and education; technology roadmap consulting, CAD layout; rapid response manufacturing for prototypes; quick turn production for small-to-middle volume quantity requirements; and facilitation of higher volume requirements via partnerships in lower cost jurisdictions. The Company is also differentiated by its broad range of PCB technologies.

This news release contains “forward-looking statements” within the meaning of the United States Securities Litigation Reform Act of 1995, and applicable Canadian Securities Legislation. Forward-looking statements include, but are not limited to, statements with respect to financial performance, opportunities, new market for growth and financial position. Generally these forward-looking statements can be identified by the use of forward-looking terminology such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecast”, “intends”, “anticipates”, or “does not anticipate”, or “believes” or variations of such words and phrases, or state that certain actions, events or results “may”, “could”, “would”, “might”, or “will be taken”, “occur”, or “be achieved”. 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 discussed in the section entitled “Risk Factors” in Coretec's Annual Information Form dated March 18, 2008 which can be obtained at www.sedar.com.

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Coretec Inc.

CONSOLIDATED BALANCE SHEETS

[in thousands - unaudited]

	June 30 2008 \$	December 31, 2007 \$
ASSETS		
Current		
Cash	529	1,829
Accounts receivable	12,865	12,389
Mortgage receivable	—	1,050
Inventories	4,737	4,009
Prepaid expenses	457	688
Total current assets	18,588	19,965
Property, plant and equipment, net	31,961	30,250
Other assets	341	756
	50,890	50,971
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness	3,963	4,021
Accounts payable and accrued liabilities	8,879	7,886
Current portion of long-term debt	1,965	1,887
Total current liabilities	14,807	13,794
Long-term debt	6,928	7,479
Other long-term liabilities	674	—
Total liabilities	22,409	21,273
Shareholders' equity		
Share capital	61,066	61,066
Share capital held by long term incentive plan	(46)	(100)
Contributed surplus	765	750
Deficit	(33,304)	(32,018)
Total shareholders' equity	28,481	29,698
	50,890	50,971

Coretec Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

[in thousands except per share amounts - unaudited]

	Three months ended		Six months ended	
	June 30		June 30	
	2008	2007	2008	2007
	\$	\$	\$	\$
Sales	19,415	21,816	37,901	44,634
Cost of sales	15,740	17,600	31,388	35,794
Gross profit	3,675	4,216	6,513	8,840
Expenses				
Selling, general and administrative	2,515	3,049	5,094	6,808
Depreciation and amortization	1,092	1,296	2,235	2,512
	3,607	4,345	7,329	9,320
Gain (loss) from operations	68	(129)	(816)	(480)
Interest and other expenses	167	237	366	431
Foreign exchange loss	111	377	109	451
Loss (gain) on disposal of equipment, net	22	(98)	(10)	(154)
Loss before income taxes	(232)	(645)	(1,281)	(1,208)
Provisions for (recovery of) income taxes	5	—	5	(15)
Loss for the periods	(237)	(645)	(1,286)	(1,193)
Loss per share				
Loss per share, basic and diluted	(\$0.01)	(\$0.03)	(\$0.07)	(\$0.06)

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CONSOLIDATED STATEMENTS OF DEFICIT

[in thousands - unaudited]

	Three months ended June 30		Six months ended June 30	
	2008 \$	2007 \$	2008 \$	2007 \$
Deficit, beginning of period	(33,067)	(29,355)	(32,018)	(28,807)
Net income (loss) for the period	(237)	(645)	(1,286)	(1,193)
Deficit, end of period	(33,304)	(30,000)	(33,304)	(30,000)

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CONSOLIDATED STATEMENTS OF CASH FLOWS

[in thousands - unaudited]

	Three months ended June 30		Six months Ended June 30	
	2008 \$	2007 \$	2008 \$	2007 \$
OPERATING ACTIVITIES				
Loss for the period	(237)	(645)	(1,286)	(1,193)
Non-cash items				
Depreciation	1,092	1,296	2,235	2,512
Stock-based compensation	(8)	54	15	29
Loss (gain) on disposal of equipment	22	(98)	(10)	(154)
Unrealized foreign exchange gain (loss)	(70)	540	306	605
Long-term incentive plan compensation	36	10	54	20
Amortization of deferred finance charges	36	23	40	47
	871	1,180	1,354	1,866
Net change in non-cash working capital balances related to operations	(596)	(981)	(291)	(2,743)
Cash (used) provided in operating activities	275	199	1,063	(877)
FINANCING ACTIVITIES				
Increase in long-term debt	—	1,726	—	3,500
Repayment of long-term debt	(195)	(248)	(506)	(547)
Increase (decrease) in bank indebtedness	1,003	564	(57)	2,144
Increase in other liabilities	674	—	674	—
Issuance of share capital	—	—	—	3
Cash (used) provided in financing activities	1,482	2,042	111	5,100
INVESTING ACTIVITIES				
Purchase of capital assets	(3,254)	(2,606)	(3,935)	(5,580)
Decrease in short-term deposit	1,050		1,050	
Decrease (increase) in other assets	398	480	374	562
Cash used in investing activities	(1,806)	(2,126)	(2,511)	(5,018)
Effect of exchange rate changes on cash	(7)	(17)	37	(24)
Net increase (decrease) in cash during the period	(56)	98	(1,300)	(819)
Cash, beginning of period	585	804	1,829	1,721
Cash, end of period	529	902	529	902
Supplemental cash flow information				
Interest paid	166	193	364	343
Income taxes paid	5	—	5	—