

FOR IMMEDIATE RELEASE

CORETEC INC. REPORTS HIGHEST GROSS PROFIT IN EIGHT QUARTERS

Toronto, Ontario, August 7, 2003 (TSE: CYY) – Coretec Inc., today reported its financial results for the second quarter ended June 30, 2003. Sales in the second quarter of 2003 were \$17.7 million, a 2% increase from sales of \$17.3 million in the second quarter of 2002. Gross profit in the second quarter of 2003 was \$4.2 million (24% of sales) compared to \$1.7 million (10% of sales) for the second quarter of 2002. A net loss of \$1.9 million (\$0.10 per share) was recorded in the second quarter of 2003 compared to a net loss of \$4.9 million (\$0.26 per share) in the 2002 second quarter.

Net loss for the period was negatively affected by a \$0.5 million restructuring charge related to an approximate 8% reduction in the Company's work force. Furthermore the company recorded a \$0.3 million foreign exchange loss related to the translation of the Company's foreign denominated net assets, as a result of the year-to-date decline in the value of the US Dollar and British Pound.

Earnings before interest, taxes, depreciation and amortization (EBITDA) for the second quarter of 2003 were \$0.1 million compared to an EBITDA loss of \$2.1 million in the 2002 second quarter. The second quarter of 2003 EBITDA is inclusive of \$0.8 million in charges for the restructuring and foreign exchange loss mentioned above. Loss from operations in the quarter ended June 30, 2003 was reduced to \$1.4 million, compared to a loss from operations of \$6.0 million in the second quarter of 2002.

Coretec CEO and President Paul Langston commented, "We believe that our restructuring efforts undertaken in the recent quarter, including the consolidation of our Toronto operations into our main facility are beginning to bear fruit in terms of improved operational and financial performance. We are continuing to pursue additional cost reduction and consolidation opportunities, including the potential sale of our non-operational Sheppard facility located on prime Toronto area real estate. Our objective is to generate meaningful free cash flow at these current revenue levels, while maintaining ready and available capacity to capture additional business once end-markets pick up again."

Mr. Langston continued, "There have been some signals recently that point to improving industry conditions. North American book to bill ratios have remained at or slightly above parity since the beginning of the year suggesting a stabilization of demand. Furthermore, The Electronics Buyer's Index posted its highest value since November 2000 and a recent survey conducted by The Printed Circuit Buyers Resource Center (www.pcbrc.com) indicated improving market conditions across all regions worldwide. When momentum starts to materialize across these markets, we firmly believe companies such as Coretec, with the financial resources, the required equipment platform, approvals, registrations and talent pool to build technologically advanced products - fast - will disproportionately benefit from improving end market demand."

Mr. Langston continued, "While revenue in the second quarter of 2003 was 2% higher than in the prior year period, business activity has increased by significantly more. However, the dramatic strengthening of the Canadian dollar since the beginning of the year vis-à-vis the US Dollar and the British Pound, has significantly compressed our reported revenues since less than 30% of our revenues are Canadian dollar denominated. While this phenomenon is making it challenging for the Company to exhibit sales line growth, we have still been able to demonstrate improved operating results due to the combination of the restructuring efforts and our foreign denominated costs creating a partial natural hedge. In addition we have executed a hedging strategy since the beginning of 2003 which has also mitigated the negative impact of exchange rate movements."

As of June 30, 2003, the Company had cash balances of approximately \$1.3 million, and additional unutilized bank lines of \$3.5 million, net of all outstanding letter of credit obligations.

Coretec is a leading designer and fabricator of time-critical and advanced technology printed circuit boards for the commercial, defense and aerospace electronics markets in North America and Europe. Coretec distinguishes itself from its competitors by providing a suite of services including design consulting and diagnostics, multi-platform CAD design, PCB prototyping and quick turnaround production.

The Company will conduct a conference call to discuss its second quarter performance and outlook at 8:30 a.m. EST. Anyone wishing to participate in the call should dial 416-640-4127 or 800-814-4853. A replay of the call will be available from Friday August 8, 2003 at 10:30 a.m. until Friday August 15, 2003 at 11:59 a.m. The number to call for the rebroadcast is 416-640-1917 or 877-289-8525. The pass-code is 21012525 (followed by the pound key).

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 industry contraction and slow economic growth; variability of operating results; dependence on certain industries; management of growth and expansion; 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; currency exchange rate fluctuations; 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]

June 30, 2003	December 31, 2002
\$	\$

ASSETS**Current**

Cash	1,319	4,196
Accounts receivable	11,446	11,840
Inventories	4,430	4,882
Income taxes recoverable	811	1,193
Prepaid expenses	1,261	1,066
Total current assets	19,267	23,177
Capital assets, net	34,792	37,269
Other assets	1,195	1,049
	55,254	61,495

LIABILITIES AND SHAREHOLDERS' EQUITY**Current**

Bank indebtedness	1,565	177
Accounts payable and accrued liabilities	8,567	11,270
Current portion of long-term debt	1,155	1,029
Current portion of notes payable	1,900	1,900
Total current liabilities	13,187	14,376
Future income taxes	71	86
Long-term debt	5,928	6,600
Total liabilities	19,186	21,062
Commitments and contingencies		
Shareholders' equity		
Share capital	61,155	61,155
Deficit	(25,087)	(20,722)
Total shareholders' equity	36,068	40,433
	55,254	61,495

Coretec Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS

[in thousands - unaudited]

	Three months ended		Six months ended	
	June 30		June 30	
	2003	2002	2003	2002
	\$	\$	\$	\$
Sales	17,727	17,330	36,472	33,672
Cost of sales	13,496	15,596	28,902	28,522
Gross profit	4,231	1,734	7,570	5,150
Expenses				
Selling, general and administrative	3,344	3,812	6,691	7,459
Depreciation and amortization	1,794	2,049	3,598	4,033
Impairment of capital assets	—	1,827	—	1,827
Restructuring charges	531	—	531	—
	5,669	7,688	10,820	13,319
Loss from operations	(1,438)	(5,954)	(3,250)	(8,169)
Interest and other expenses	195	104	368	199
Foreign exchange loss	268	—	747	4
Loss before income taxes	(1,901)	(6,058)	(4,365)	(8,372)
Recovery of income taxes	—	(1,174)	—	(1,757)
Loss for the period	(1,901)	(4,884)	(4,365)	(6,615)
Loss per share				
Basic and Diluted	\$(0.10)	\$(0.26)	\$(0.23)	\$(0.36)

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CONSOLIDATED STATEMENTS OF DEFICITS

[in thousands - unaudited]

	Six months ended	
	June 30	
	2003	2002
	\$	\$
Deficit, beginning of period	(20,722)	(4,127)
Loss for the period	(4,365)	(6,615)
Deficit, end of period	(25,087)	(10,742)

Coretec Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

[in thousands - unaudited]

	Three months ended		Six months ended	
	June 30		June 30	
	2003	2002	2003	2002
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Loss for the period	(1,901)	(4,884)	(4,365)	(6,615)
Non-cash items				
Depreciation and amortization	1,794	2,049	3,598	4,033
Unrealized foreign exchange loss	489	34	969	85
Amortization of deferred finance charge	21	54	45	67
Future income taxes	(15)	(825)	(15)	(808)
Loss on disposal of capital asset	—	130	—	130
Impairment of capital assets	—	1,827	—	1,827
	388	(1,615)	232	(1,281)
Net change in non-cash working capital balances related to operations	120	(843)	(299)	584
Cash provided by (used in) operating activities	508	(2,458)	(67)	(697)
FINANCING ACTIVITIES				
Increase (decrease) in long-term debt	(289)	(107)	(546)	4,893
Increase (decrease) in bank indebtedness	1,565	—	1,388	(5,876)
Proceeds of shares issued, net of share issue costs	—	28	—	7,892
Cash provided by (used in) financing activities	1,276	(79)	842	6,909
INVESTING ACTIVITIES				
Purchase of capital assets	(760)	(1,106)	(3,329)	(3,022)
Proceeds on disposal of capital asset	—	130	—	130
Increase in other assets	(207)	(332)	(191)	(1,144)
Cash used in investing activities	(967)	(1,308)	(3,520)	(4,036)
Effect of exchange rate changes on cash	(92)	35	(132)	24
Net increase (decrease) in cash during the period	725	(3,810)	(2,877)	2,200
Cash, beginning of period	594	6,673	4,196	663
Cash, end of period	1,319	2,863	1,319	2,863
Supplemental cash flow information				
Interest paid	160	93	297	113
Income taxes paid	—	—	—	111
Capital asset purchases included in accounts payable and accrued liabilities	—	170	—	170