

Coretec Announces First Quarter 2008 Results

Toronto, Ontario, May 6, 2008 - Coretec Inc. (TSX: CYY) today reported its financial results for the first quarter ended March 31, 2008.

Coretec reported revenues of \$18.5 million in the quarter ended March 31, 2008, a 18.9% decrease over the prior year period revenue of \$22.8 million and a decrease of 2.2% from the fourth quarter of 2007 where revenues were \$18.9 million. Gross profit in the quarter was 15.4% of sales compared to 20.3% in the prior year period and 16.1% in the fourth quarter of 2007. Net loss for the quarter was \$1.0 million or \$0.06 per share compared to a net loss of \$0.6 million or \$0.03 per share for the same period in 2007 and sequentially, an improvement of \$0.4 million from a net loss of \$1.4 million or \$0.07 per share in the fourth quarter of 2007. Included in the first quarter of 2008 were severance costs associated with staff reductions of \$0.2 million.

“Softness in order activity levels from Q4 carried into January and February at all sites as well as in the Company’s offshore business. Bookings did however improve later in the quarter at all locations as well as in the offshore arena. This momentum has continued into Q2. The major contributor to the year over year compression of our revenues was the change in the US dollar/Canadian dollar exchange rate. Approximately 80% of our revenues are denominated in US dollars. In Q1 we estimate that the impact to revenues of the change in the value of the US dollar relative to the Canadian dollar was in excess of \$3 million when compared to the first quarter of 2007. Our Toronto operations, where there is a high concentration of US dollar denominated sales, have additionally been hard hit at the gross margin line by the decline in the value of the US dollar. As a result we have undertaken measures on both the revenue generation and cost effectiveness fronts to enable us to overcome this challenge”, said Paul Langston, President and CEO of Coretec.

Mr. Langston continued, “To drive revenue growth we have enacted initiatives to optimize and expand our Canadian and US sales organizations. This is already stimulating new part number and new customer opportunities. From the offshore outsourcing perspective we have invested significant resources into reinvigorating the business model, resulting in renewed momentum in business activity levels. Specific to our Denver operation in Q1, we achieved AS9100 approval which will avail us further opportunities in the avionics marketplace; a segment that is experiencing very strong demand dynamics at present. Additionally, at our Cleveland site we gained International Traffic in Arms Regulations (“ITAR”) registration which will facilitate penetration into new target clients as well as additional programs at existing customers.”

“From a cost perspective we implemented a staff reduction in our Toronto operations in February 2008 that will realize savings of \$0.3-\$0.4 million per quarter. We have also aggressively targeted SG&A savings opportunities since the start of the year. The Company recently purchased three pieces of equipment from a supplier which are used by the Company in its operations. To date, the equipment has not performed to standard resulting in disruption to the Company’s operations. The Company is currently considering all of its options in connection with the equipment, including the potential to repair and or replace the equipment. There can be no assurance that the equipment will be repaired and/or replaced in a timely and efficient manner or in a manner which will be

satisfactory to the Company. Also noteworthy is the manufacturing and planning yield improvements which we have made at each of our sites. These have begun to produce direct and indirect material cost savings relative to sales. This combined with utility conservation initiatives as well as tight controls with respect to other labour costs we believe will result in improved financial metrics in subsequent quarters,” added 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 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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CONSOLIDATED BALANCE SHEETS

[in thousands - unaudited]

	March 31 2008 \$	December 31, 2007 \$
ASSETS		
Current		
Cash	585	1,829
Accounts receivable	12,283	12,389
Mortgage receivable	1,050	1,050
Inventories	4,281	4,009
Prepaid expenses	661	688
Total current assets	18,860	19,965
Property, plant and equipment, net	29,908	30,250
Other assets	775	756
	49,543	50,971
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness	2,960	4,021
Accounts payable and accrued liabilities	8,790	7,886
Current portion of long-term debt	1,940	1,887
Total current liabilities	13,690	13,794
Long-term debt	7,163	7,479
Total liabilities	20,853	21,273
Shareholders' equity		
Share capital	61,066	61,066
Share capital held by long term incentive plan	(82)	(100)
Contributed surplus	773	750
Deficit	(33,067)	(32,018)
Total shareholders' equity	28,690	29,698
	49,543	50,971

Coretec Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

[in thousands except per share amounts - unaudited]

	Three months ended March 31	
	2008	2007
	\$	\$
Sales	18,486	22,818
Cost of sales	15,648	18,194
Gross profit	2,838	4,624
Expenses		
Selling, general and administrative	2,579	3,758
Depreciation and amortization	1,142	1,216
	3,721	4,974
Loss from operations	(883)	(350)
Interest and other expenses	200	194
Foreign exchange (gain) loss	(2)	74
Gain on disposal of equipment, net	(32)	(56)
Loss before income taxes	(1,049)	(562)
Provisions for (recovery of)income taxes	—	(15)
Loss for the periods	(1,049)	(547)
Loss per share	(\$0.06)	(\$0.03)
Loss per share, basic and diluted		

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CONSOLIDATED STATEMENTS OF DEFICIT

[in thousands - unaudited]

	Three months ended	
	March 31	
	2008	2007
	\$	\$
Deficit, beginning of period	(32,018)	(28,807)
Net income (loss) for the period	(1,049)	(547)
Deficit, end of period	(33,067)	(29,354)

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CONSOLIDATED STATEMENTS OF CASH FLOWS

[in thousands - unaudited]

	Three months ended March 31	
	2008	2007
	\$	\$
OPERATING ACTIVITIES		
Loss for the period	(1,049)	(547)
Non-cash items		
Depreciation	1,142	1,216
Stock-based compensation	23	(25)
Gain on disposal of equipment	(32)	(56)
Unrealized foreign exchange loss	377	64
Long-term incentive plan compensation	18	10
Amortization of deferred finance charges	5	25
	484	687
Net change in non-cash working capital balances related to operations	305	(1,762)
Cash used in operating activities	789	(1,075)
FINANCING ACTIVITIES		
Increase in long-term debt	—	1,774
Repayment of long-term debt	(311)	(300)
Increase (decrease) in bank indebtedness	(1,061)	1,580
Issuance of share capital	—	3
Cash (used) provided in financing activities	(1,372)	3,057
INVESTING ACTIVITIES		
Purchase of capital assets	(681)	(2,974)
(Increase) decrease in other assets	(24)	82
Cash used in investing activities	(705)	(2,892)
Effect of exchange rate changes on cash	44	(7)
Net decrease in cash during the period	(1,244)	(917)
Cash, beginning of period	1,829	1,721
Cash, end of period	585	804
Supplemental cash flow information		
Interest paid	177	121