



Pethealth Inc. Announces Net Income of \$603,872 and its full Results for the Quarter Ended March 31, 2007

OAKVILLE, ON, May 7, 2007. (TSXV: PTZ) Pethealth Inc. ("Pethealth" or "the Company") today announced its financial results for the quarter ended March 31, 2007.

Financial Highlights

Quarter ended March 31, 2007

- Total revenue for the three months ended March 31, 2007 was \$5.4 million, up 19% over the three months ended March 31, 2006.
- Net income for the three months ended March 31, 2007 was \$603,872 as compared to a net loss of (\$150,855) recorded in Q1, 2006. Earnings per share were (0.0001) for the quarter vs. (0.0027) for the same quarter in the prior year after giving effect to dividends paid.
- EBITDA for Q1 2007 was \$738,648 compared to an EBITDA loss of \$(33,195) for the same period in the prior year.
- Gross premiums earned by the Company's insurance carriers were \$10.2 million for the three months ended March 31, 2007, up 14% from the same period in the prior year.

On May 1, 2007, the Company announced that it received conditional approval from the Toronto Stock Exchange to graduate to and list its common shares on the TSX. As a condition of listing, the Company is seeking shareholder approval at its annual and special meeting of shareholders being held today to consolidate its common shares on a one-for-ten basis.

Results of Operations

Pethealth Inc. reports its financial results in two reportable segments, its insurance operations and its non-insurance operations. The insurance operations currently consist of the distribution and administration of the PetCare, ShelterCare, QuickCare and CherryBlue pet insurance programs while non-insurance operations are made up of its 24PetWatch manufacturer-neutral pet registry and recovery service, the distribution of RFID microchip technology and the development and distribution of PetPoint, its animal shelter management software program. The following table details the operational results from each segment:

	For quarter ended					
	March 31, 2007			March 31, 2006		
	Insurance	Non-Insurance	Total	Insurance	Non-Insurance	Total
Operating revenue	\$ 4,372,633	\$ 1,000,482	\$ 5,373,115	\$ 3,675,892	\$ 829,895	\$ 4,505,787
Interest and other income	28,279		28,279	24,650		24,650
Total revenue	\$ 4,400,912	\$ 1,000,482	\$ 5,401,394	\$ 3,700,542	\$ 829,895	\$ 4,530,437
Employment	893,816	420,619	1,314,435	897,688	298,979	1,196,667
Marketing	1,407,422	66,173	1,473,595	1,787,360	96,510	1,883,870
General & administration	893,415	166,965	1,060,380	715,285	156,349	871,634
Cost of sales		737,614	737,614		523,653	523,653
Other	147,368	64,130	211,498	163,866	41,602	205,468
Total expenses	\$ 3,342,021	\$ 1,455,501	\$ 4,797,522	\$ 3,564,199	\$ 1,117,093	\$ 4,681,292
Operating income (loss)	1,058,891	\$ (455,019)	\$ 603,872	\$ 136,343	\$ (287,198)	\$ (150,855)
Add:						
Capital asset amortization	70,646	64,130	134,776	76,058	41,602	117,660
Operating EBITDA	\$ 1,129,537	\$ (390,889)	\$ 738,648	\$ 212,401	\$ (245,596)	\$ (33,195)

"Our performance during the first quarter demonstrates that we continue to hone our competitive advantages and extend our core businesses while delivering record revenues and net income", said Mark Warren President & CEO. "Our insurance business continues to drive profitability and cash flow as this segment, for the first time, recorded both quarterly operating income and EBITDA of over \$1million. Our goal is to continue to improve the earnings in the insurance business while growing our platforms, particularly as it relates to our RFID microchip and PetPoint shelter management software businesses, where our ongoing expansion is not only improving user experience but is creating some very unique and, we believe, ultimately highly profitable opportunities. While it is our intention to bring the non-insurance side of our business into profitability as quickly as we can, we feel, given its long term potential, that internally funding rapid expansion in the short term is the best way of maximizing future returns."

Insurance Operations:

The Company is the number two provider of pet insurance to the companion animal market in North America as measured by both policies in force and gross written premium.

Pet insurance revenues are earned primarily through commissions and fees generated from the placement of pet insurance policies at a blended commission rate of approximately 37%. For the three months ended March 31, 2007, the Company achieved commission and fee revenue of \$4,372,633 an increase of 19% over the same period in the prior year.

The Company's U.S. core pet insurance programs produced a loss ratio of 46.9% for Q1 2007 inclusive of a 3.0% Incurred But Not yet Reported ("IBNR") reserve. The IBNR reserve accounts for claims incurred, but not reported before the year-end date, comprising the time lag between the actual occurrence of the event leading to the claim and its reporting to the insurer. During the second quarter of 2006, the Company began to place business in certain U.S. states with Praetorian Insurance Group. Under the terms of the agreement, the Company participates in a portion of the underwriting results for policies placed with Praetorian. For the first quarter of 2007, 50% of the Company's U.S. core policy premium volume was underwritten by Praetorian resulting in \$57,924 being recorded in the first quarter of 2007 related to expected profit sharing from U.S. underwriting. The volume of business placed with Praetorian is expected to grow over the course of 2007 and is expected to be 100% by December 31, 2007.

The Company recorded an annual administrative cost per core policy of \$32 for the twelve month period to March

31, 2007, a reduction of 6% from that recorded in the previous twelve months ended March 31, 2006. During the first quarter, costs associated with administrating insurance policies accounted for approximately 10.4% of earned premium which the Company believes is the best in the pet insurance industry.

Acquisition cost per policy was an average of US\$55 compared to US\$67 for the same twelve month period in the prior year. Acquisition cost per policy fell during the year as a result of efficiencies achieved in its various distribution channels including the 2006 restructuring of the way in which it distributes and sells core insurance policies to pet owners adopting a cat or dog from an animal welfare organization. In addition, the Company has been successful in passing on some or substantially all costs of new customer acquisition exceeding its break-even costs. The Company considers the break-even acquisition cost per policy to be approximately US\$70.

For the three month period ended March 31, 2007, the pet insurance operations reported operating income of \$1,058,891 compared to a net operating income of \$136,343 for the same period in the prior year. In addition, the pet insurance business achieved EBITDA of \$1,129,537 for the first quarter compared to EBITDA of \$212,401 for the same period in the prior year.

Non-Insurance Operations:

Non-insurance revenues are earned from the sale of microchip technology and database and information services leveraging the Company's PetPoint, EVE and 24PetWatch infrastructures. To date, the Company's non-insurance business has been focused on building out its technology platforms, which, in and of themselves, were not designed to operate as stand alone sources of revenue. Instead, these platforms are used to deliver database and information services from which the Company expects to generate significant business at margins greater than those that can be expected to be earned from the insurance operations.

For Q1 2007, the Company generated revenues of \$1,000,482 from its non-insurance businesses, an increase of 21% from the \$829,895 earned in Q1 of last year. In addition to the sale of microchip technology, the Company expects to continue to generate revenues from various non-insurance opportunities which may include, amongst other things, the sale of products and services to the 24PetWatch database which has reached 1,034,000 pet registrations, agency fees from manufacturers and retailers accessing PetPoint for distribution and from other third parties looking to improve their distribution capabilities to pet adopters.

For the three months ended March 31, 2007 the Company's non-insurance business reported an operating loss of (\$455,019) as compared to an operating loss of (\$287,198) for the same period in the prior year. The year-on-year increase in the non-insurance operating loss can be attributed largely to the additional \$120,445 in operating income recorded in 2006 which resulted from the significant test marketing of services to the Company's databases during Q1 2006. The Company determined, based on the results from all of its 2006 direct mail tests, that to maximize returns the bulk of its direct mail program in 2007 will be conducted in the second and third quarters of the year.

Consolidated Results

The Company had consolidated net income of \$603,872 as compared to a net loss of (\$150,855), for the same period in the prior year. Earnings per share were (0.0001) for the quarter vs. (0.0027) for the same year in the prior year after giving effect to dividends paid. The Company's consolidated EBITDA was \$738,648 for the three months ended March 31, 2007 as compared to an EBITDA loss of (\$33,195) for the same period in the prior year.

At March 31, 2007, the Company had total assets of \$7,112,257 including unrestricted cash resources of \$2,137,736.

The Company will be hosting an investor conference call on Tuesday, May 8th, 2007 at 11:00 AM (EST) which can be accessed at 1-800-769-8320. For those unable to participate, an instant replay of the call will be available for 7 days at 1-888-509-0081, passcode 644248.

CONSOLIDATED FINANCIAL HIGHLIGHTS:	For Quarter Ended		
	March 31, 2007	March 31, 2006	Change %
Insurance Commissions and Fees	\$4,372,633	\$3,675,892	19%
Microchip Technology and Non-insurance Revenue	1,000,482	829,895	21%
Interest and Other Income	28,279	24,650	15%
Total Revenue	\$5,401,394	\$4,530,437	19%
Cost of Sales – Microchip Technology	737,614	523,653	41%
Marketing Expenses	1,473,595	1,883,870	(22%)
Employment Expenses	1,314,435	1,196,667	10%
Stock Option Expense	65,598	87,645	(25%)
Administration Expenses	1,060,380	871,634	22%
Foreign Exchange	11,124	163	
Amortization of Capital, Intangible and Other Assets	134,776	117,660	15%
Net Income/(Loss) For the Period	603,872	(150,855)	
EPS – Basic **	(0.0001)	(0.0027)	
EPS – Diluted **	(0.0001)	(0.0027)	
Add Back: Amortization	134,776	117,660	15%
EBITDA*	\$ 738,648	\$ (33,195)	
Stock Option Expense	65,598	87,645	(25%)
Cash Flow From Operations	804,246	54,450	1377%
Cash Resources	2,137,736	1,845,209	16%
Total Assets	7,112,257	6,015,097	18%
Gross Premiums Earned by Carriers	\$10,161,932	\$8,916,424	14%

* The Company believes the presentation of EBITDA is a useful means of providing investors with additional information in reviewing and analyzing the Company's operating results. EBITDA is considered to be a non-GAAP earnings measure and does not have any standardized meaning prescribed by GAAP. It is, therefore, unlikely to be comparable to similar measures presented by other issuers.

** Basic and diluted earnings per share are adjusted to reflect the dividend payments made during the first quarter of 2007 and 2006.

About Pethealth

Pethealth is a leading provider of pet insurance and pet related data management services to the North American companion animal industry. Pethealth offers a unique range of products and services for veterinarians, shelters and pet owners through a number of wholly owned subsidiaries using a range of brand names including PetCare, ShelterCare, CherryBlue, 24PetWatch and PetPoint.

Pethealth is based in Oakville, Ontario. To find out more about Pethealth, visit the website at www.pethealthinc.com

The TSX Venture Exchange Inc. has not reviewed and does not accept responsibility for the adequacy or accuracy of this release.

Forward-Looking Statements

This press release contains information that is forward-looking information within the meaning of applicable securities laws. In some cases, forward-looking information can be identified by the use of terms such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue" or the negative of these terms or other similar expressions concerning matters that are not historical facts.

Forward-looking information by its nature necessarily involves risks and uncertainties including, without limitation, the difficulty of predicting the current regulatory and supervisory environment, the timing and conditions to obtaining any regulatory approval, reliance on insurance underwriters for pet insurance policies, market acceptance and demand for existing and new products and services, including PetPoint and EVE Software and the 24PetWatch microchip program, the Company's ability to maintain and service new and existing customers, the protection of intellectual property associated with its products and services, the impact of competition generally and new competitive products, currency and foreign exchange fluctuations, risks associated with the Company's customer care solutions facility, and related risks and uncertainties. Additional risks and uncertainties affecting the Company can be found in the Company's Annual Information Form available on SEDAR at www.sedar.com. If any of these risks or uncertainties were to materialize, or if the factors and assumptions underlying the forward-looking information were to prove incorrect, actual results could vary materially from those that are expressed or implied by the forward-looking information contained herein. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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