



Pethealth Inc. Announces Net Income of \$581,086 for Q2 and its full Results for the Quarter and Six Months Ended June 30, 2007

OAKVILLE, ON, August 9, 2007. (TSX: PTZ) Pethealth Inc. ("Pethealth" or "the Company") today announced its financial results for the quarter and six months ended June 30, 2007.

Financial Highlights

Quarter ended June 30, 2007

- Total revenue for the three months ended June 30, 2007 was \$5.4 million, up 20% over the three months ended June 30, 2006.
- Net income for the three months ended June 30, 2007 was \$581,086 as compared to net income of \$90,033 recorded in Q2, 2006. Earnings per share were \$0.021 for the quarter vs. \$0.003 for the same quarter in the prior year.
- EBITDA for Q2 2007 was \$721,071 compared to an EBITDA of \$208,877 for the same period in the prior year.
- Gross premiums earned by the Company's insurance carriers were \$9.9 million for the three months ended June 30, 2007, up 10% from the same period in the prior year.

Six months ended June 30, 2007

- Total revenue for the six months ended June 30, 2007 was \$10.8 million, up 20% over the six months ended June 30, 2006.
- Net income for the six months ended June 30, 2007 was \$1,184,958 (\$0.020 per share after deducting the \$600,000 paid as a dividend in the first quarter of 2007), compared to a net loss of (\$60,822) ((\$0.024) per share after giving effect to the dividend payment made in the first quarter of 2006) recorded in the prior year.
- EBITDA for the six months ended June 30, 2007 was \$1,459,719 compared to EBITDA of \$175,682 for the same period in the prior year.
- The cumulative calendar 2007 loss ratio for the U.S. core pet insurance book of business stood at 48.0% as at June 30, 2007. The Company participates in a portion of its programs' underwriting results in the United States.
- Gross premiums earned by the Company's insurance carriers were \$20.0 million for the six months ended June 30, 2007, up 12% from the same period in the prior year.

On May 28, 2007, the Company graduated its common share listing from the Toronto Venture Exchange to the Toronto Stock Exchange maintaining its ticker symbol PTZ. As a condition of listing on the TSX, the Company also completed a consolidation of 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, CherryBlue and other co-branded, white labeled or private labeled 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 the Three Months Ended							
	June 30, 2007				June 30, 2006		
	Insurance	Non-Insurance	One-Time Listing Costs	Total	Insurance	Non-Insurance	Total
Operating revenue	\$4,302,493	\$1,033,167	-	\$ 5,335,660	\$3,707,467	\$ 733,288	\$4,440,755
Interest and other income	42,579	-	-	42,579	26,350	-	26,350
Total revenue	\$4,345,072	\$1,033,167	-	\$ 5,378,239	\$3,733,817	\$ 733,288	\$4,467,105
Employment	954,799	449,317	-	1,404,116	853,561	300,002	1,153,563
Marketing	1,163,833	59,264	-	1,223,097	1,434,360	89,679	1,524,039
General & administration	866,582	169,716	125,611	1,161,909	862,145	131,257	993,402
Cost of sales	-	758,842	-	758,842	-	494,168	494,168
Other	181,637	67,552	-	249,189	169,400	42,500	211,900
Total expenses	\$3,166,851	\$1,504,691	\$ 125,611	\$ 4,797,153	\$3,319,466	\$1,057,606	\$4,377,072
Operating income (loss)	\$1,178,221	\$(471,524)	\$(125,611)	\$ 581,086	\$ 414,351	\$(324,318)	\$ 90,033
Add:							
Capital asset amortization	72,433	67,552	-	139,985	76,344	42,500	118,844
Operating EBITDA	\$1,250,654	\$(403,972)	\$(125,611)	\$ 721,071	\$ 490,695	\$(281,818)	\$ 208,877

For the Six Months Ended							
	June 30, 2007				June 30, 2006		
	Insurance	Non-Insurance	One-Time Listing Costs	Total	Insurance	Non-Insurance	Total
Operating revenue	\$8,675,127	\$2,033,649	-	\$10,708,776	\$7,383,359	\$1,563,183	\$8,946,542
Interest and other income	70,857	-	-	70,857	51,000	-	51,000
Total revenue	\$8,745,984	\$2,033,649	-	\$10,779,633	\$7,434,359	\$1,563,183	\$8,997,542
Employment	1,848,615	869,936	-	2,718,551	1,751,249	598,981	2,350,230
Marketing	2,571,255	125,437	-	2,696,692	3,221,720	186,189	3,407,909
General & administration	1,759,997	336,681	125,611	2,222,289	1,577,430	287,606	1,865,036
Cost of sales	-	1,496,456	-	1,496,456	-	1,017,821	1,017,821
Other	329,005	131,682	-	460,687	333,266	84,102	417,368
Total expenses	\$6,508,872	\$2,960,192	\$ 125,611	\$9,594,675	\$6,883,665	\$2,174,699	\$ 9,058,364
Operating income (loss)	\$2,237,112	\$(926,543)	\$(125,611)	\$ 1,184,958	\$ 550,694	\$(611,516)	\$(60,822)
Add:							
Capital asset amortization	143,079	131,682	-	274,761	152,402	84,102	236,504
Operating EBITDA	\$2,380,191	\$(794,861)	\$(125,611)	\$ 1,459,719	\$ 703,096	\$(527,414)	\$ 175,682

"Despite the headwinds created by the appreciation of the Canadian dollar against its U.S. counterpart, we are very pleased with our Q2 results", said Mark Warren President & CEO. "Indeed, after adjusting for the currency move and the one time costs associated with our graduation to the TSX, Q2 revenue would have been approximately 5% higher and earnings would have been over 20% higher than that reported in the first quarter. Our insurance business, despite a rising Canadian dollar, generated net operating income in excess of \$1.1-million and the top line revenue of our non-insurance business continues to grow as we continue to build market share."

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 June 30, 2007, the Company achieved commission and fee revenue of \$4,302,493, an increase of 16% over the same period in the prior year. For the six months ended June 30, 2007, the Company achieved commission and fee revenue of \$8,675,127, an increase of 18% over the same period in the prior year.

The Company's U.S. core pet insurance programs produced a loss ratio of 48.0% for the first six months of 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 six months ended June 30, 2007, 62% of the programs' U.S. core earned premiums were placed with Praetorian resulting in \$112,205 being recorded in the second quarter and \$170,129 being recorded in the first six months of 2007 relating to expected profit sharing from U.S. underwriting. The volume of business placed with Praetorian is expected to continue to grow over the course of 2007 and is expected to reach 100% by December 31, 2007.

The pet insurance operations contributed operating income of \$1,178,221 to the consolidated net income during the quarter and \$2,237,112 for the year to date. This compares to a contributed operating income of \$414,351 and \$550,694 in the prior year.

The 184% and 306% year on year increase in operating income for the second quarter and six months year to date can be largely attributed to continued strong growth and the May 2006 restructuring of the way in which the Company markets its policies through the shelter channel by integrating it more fully with PetPoint. As all marketing costs are expensed when incurred, the marketing costs will fluctuate by quarter depending on the timing of various marketing campaigns. Acquisition cost per policy, which consists of the cash costs of marketing, advertising and associated employment costs, fell by 22% to \$59 (US\$56) for the quarter and 15% to \$66 (US\$59) for the six months year to date when compared to the same periods in the prior year. In addition, administration costs, consisting of claims adjudication, medical underwriting, billing, and customer service but excluding corporate expenses, remained flat at \$34 per policy for the second quarter and six months year to date and fell 3% to 10.0% for the six months to June 30, 2007 when measured as a percentage of premiums which the Company believes is the best in the industry.

The pet insurance operations achieved EBITDA of \$1,250,654 for the period compared to EBITDA of \$490,695 in the prior year and current year to date EBITDA of \$2,380,191 compared to EBITDA of \$703,096 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 Q2 2007, the Company generated revenues of \$1,033,167 from its non-insurance businesses, an increase of 41% from the \$733,288 earned in Q2 of last year. For the six months ended June 30, 2007, the Company generated revenues of \$2,033,649 from its non-insurance businesses, an increase of 30% from the \$1,563,183 earned in Q2 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, as of today's date, reached 1,201,090 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 June 30, 2007 the Company's non-insurance business reported an operating loss of

(\$471,524) as compared to an operating loss of (\$324,318) for the same period in the prior year. For the six months ended June 30, 2007 the Company's non-insurance business reported an operating loss of (\$926,543) as compared to an operating loss of (\$611,516) for the same period in the prior year as the Company continues to build market share.

Consolidated Results

The Company had consolidated net income of \$581,086 for the quarter as compared to net income of \$90,033, for the same period in the prior year and consolidated net income of \$1,184,958 for the first six months of 2007 as compared to a net loss of (\$60,822), for the same period in the prior year. Earnings per share were \$0.021 for the quarter vs. \$0.003 for the same period in the prior year. and \$0.020 for the six months ended June 30, 2007 vs. a loss per share of (\$0.024) for the same period in the prior year. The six month earnings per share numbers reflect the \$600,000 dividend payment made in Q1 of both the current and prior year. The Company's consolidated EBITDA was \$721,071 for the three months ended June 30, 2007 as compared to EBITDA of \$208,877 for the same period in the prior year. For the six months ended June 30, 2007, the Company's consolidated EBITDA was \$1,459,719 as compared to EBITDA of \$175,682 for the same period in the prior year.

At June 30, 2007, the Company had total assets of \$7,320,987 including unrestricted cash resources of \$2,172,802.

The Company will be hosting an investor conference call on Monday, August 13th, 2007 at 11:00 AM (EST) which can be accessed at 1-888-575-8232. For those unable to participate, an instant replay of the call will be available for 7 days at 1-800-408-3053, passcode 3231463.

CONSOLIDATED FINANCIAL HIGHLIGHTS:	For the Three Months Ended		
	June 30, 2007	June 30, 2006	Change %
Insurance Commissions and Fees	\$4,302,493	\$3,707,467	16%
Microchip Technology and Non-insurance Revenue	1,033,167	733,288	41%
Interest and Other Income	42,579	26,350	62%
Total Revenue	\$5,378,239	\$4,467,105	20%
Cost of Sales – Microchip Technology	758,842	494,168	54%
Marketing Expenses	1,223,097	1,524,039	(20%)
Employment Expenses	1,404,116	1,153,563	22%
Stock Option Expense	56,151	96,000	(42%)
Administration Expenses	1,161,909	993,402	17%
Foreign Exchange	53,053	(2,944)	
Amortization of Capital, Intangible and Other Assets	139,985	118,844	18%
Net Income For the Period	581,086	90,033	545%
EPS – Basic **	0.021	0.003	
EPS – Diluted **	0.017	0.003	
Add Back: Amortization	139,985	118,844	18%
EBITDA*	\$ 721,071	\$ 208,877	245%
Stock Option Expense	56,151	96,000	(42%)
Cash Flow From Operations	777,222	304,877	155%
Cash Resources	2,172,802	1,711,437	27%
Total Assets	7,320,987	6,180,244	18%
Gross Premiums Earned by Carriers	\$9,863,445	\$8,980,792	10%

CONSOLIDATED FINANCIAL HIGHLIGHTS:	For the Six Months Ended		
	June 30, 2007	June 30, 2006	Change %
Insurance Commissions and Fees	\$ 8,675,127	\$ 7,383,359	18%
Microchip Technology and Non-insurance Revenue	2,033,649	1,563,183	30%
Interest and Other Income	70,857	51,000	39%
Total Revenue	\$10,779,633	\$ 8,997,542	20%
Cost of Sales – Microchip Technology	1,496,456	1,017,821	47%
Marketing Expenses	2,696,692	3,407,909	(21%)
Employment Expenses	2,718,551	2,350,230	16%
Stock Option Expense	121,749	183,645	(34%)
Administration Expenses	2,222,289	1,865,036	19%
Foreign Exchange	64,177	(2,781)	
Amortization of Capital, Intangible and Other Assets	274,761	236,504	16%
Net Income/(Loss) For the Period	1,184,958	(60,822)	
EPS – Basic **	0.020	(0.024)	
EPS – Diluted **	0.016	(0.024)	
Add Back: Amortization	274,761	236,504	16%
EBITDA*	\$ 1,459,719	\$ 175,682	731%
Stock Option Expense	121,749	183,645	(34%)
Cash Flow From Operations	1,581,468	359,327	340%
Gross Premiums Earned by Carriers	\$20,025,377	\$17,897,216	12%

* 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 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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