



Pethealth Inc. Announces Record Revenue, Net Income of \$659,352 and its full Results for the Year and Quarter Ended December 31, 2006

OAKVILLE, ON, March 21, 2007. Pethealth Inc. ("Pethealth" or "the Company") (TSXV: PTZ) today announced its financial results for the year and quarter ended December 31, 2006.

Financial Highlights

Year ended December 31, 2006

- Total revenue for 2006 was \$18.6 million, representing a 29% increase over 2005;
- Net income for the year was \$659,352 , \$0.0001 per share, as compared to a net loss of (\$ 2.1 million) ,(\$0.0096 per share), in 2005;
- EBITDA for 2006 was \$1.1 million compared to an EBITDA loss of (\$1.7 million) for the same period in the prior year.
- Gross premiums earned by the Company's insurance carriers were \$36.3 million for the year, up 18% over 2005.

Quarter ended December 31, 2006

- Total revenue for the three months ended December 31, 2006 was \$4.9 million, up 23% over the three months ended December 31, 2005.
- Net income for the three months ended December 31, 2006 was \$431,722 as compared to a net loss of (\$724,979) recorded in Q4, 2005.
- EBITDA for Q4 2006 was \$555,722 compared to an EBITDA loss of (\$600,641) for the same period in the prior year.
- Gross premiums earned by the Company's insurance carriers were \$9.3 million for the three months ended December 31, 2006, up 12% from the same period in the prior year.

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 the year ended						
	December 31, 2006			December 31, 2005		
	Insurance	Non-Insurance	Total	Insurance	Non-Insurance	Total
Operating revenue	\$ 15,162,020	\$ 3,299,698	\$ 18,461,718	\$ 12,690,750	\$ 1,634,764	\$ 14,325,512
Interest and other income	106,549		106,549	104,674		104,674
Total revenue	15,268,569	3,299,698	18,568,267	12,795,422	1,634,764	14,430,186
Employment	3,409,044	1,371,940	4,780,984	3,566,215	1,005,818	4,572,033
Marketing	5,915,530	319,565	6,235,095	6,519,742	313,235	6,832,977
General & administration	3,235,051	572,494	3,807,545	2,511,863	498,253	3,010,116
Cost of sales		2,248,808	2,248,808		1,369,782	1,369,782
Other	658,778	177,705	836,483	637,087	121,083	758,170
Total expenses	\$ 13,218,403	\$ 4,690,512	\$ 17,908,915	\$ 13,234,907	\$ 3,308,171	\$ 16,543,078
Operating income (loss)	2,050,166	\$ (1,390,814)	\$ 659,352	\$ (439,485)	\$ (1,673,047)	\$ (2,112,892)
Add:						
Capital asset amortization	305,066	177,705	482,771	306,719	121,083	427,803
Operating EBITDA	\$ 2,355,232	\$ (1,213,109)	\$ 1,142,123	\$ (132,766)	\$ (1,552,324)	\$ (1,685,089)
For the three months ended						
	December 31, 2006			December 31, 2005		
	Insurance	Non-Insurance	Total	Insurance	Non-Insurance	Total
Operating revenue	\$ 3,972,826	\$ 851,349	\$ 4,824,175	\$ 3,431,704	\$ 470,909	\$ 3,902,612
Interest and other income	27,939		27,939	27,528		27,528
Total revenue	4,000,765	851,349	4,852,114	3,459,231	470,909	3,930,140
Employment	845,912	398,076	1,243,988	923,964	317,119	1,241,083
Marketing	1,282,661	41,015	1,323,676	1,747,801	128,387	1,876,188
General & administration	887,440	139,212	1,026,652	789,216	123,182	912,398
Cost of sales		622,979	622,979		391,851	391,851
Other	151,994	51,103	203,097	190,576	43,023	233,599
Total expenses	\$ 3,168,007	\$ 1,252,385	\$ 4,420,392	\$ 3,651,557	\$ 1,003,562	\$ 4,655,119
Operating income (loss)	\$ 832,758	\$ (401,036)	\$ 431,722	\$ (192,326)	\$ (532,653)	\$ (724,979)
Add:						
Capital asset amortization	72,897	51,103	124,000	81,315	43,023	124,338
Operating EBITDA	\$ 905,655	\$ (349,933)	\$ 555,722	\$ (111,011)	\$ (489,630)	\$ (600,641)

"We are very pleased to report our first full year of profitability," said Mark Warren, President and Chief Executive Officer of Pethealth. "Additionally, operating income for the pet insurance operations exceeded \$2.0 million for the year, reflecting the fact that our pet insurance business in the United States moved into profitability during the last half of the year, joining the Canadian insurance business which was profitable for all of 2006. On the non-insurance front, we established PetPoint as the leading animal management software in North America and we look forward in 2007 to proving that this infrastructure, supported by our growing presence in companion animal microchipping, can be commercialized, generating several new revenue streams for the Company."

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 36%. Commissions and fees earned in 2006 from the insurance operation increased by 20% to \$15,162,020 over 2005. For the three months ended December 31, 2006, the Company achieved commission and fee revenue of \$3,972,827 an increase of 16% over the same period in the prior year.

The Company's U.S. core pet insurance programs produced a loss ratio of 48% for 2006 inclusive of a 2.2% 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. The Company's participation in the U.S. core underwriting results was not material as business placed with Praetorian accounted for 13% of U.S. core earned premium for the year. 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. Had 100% of the U.S. core earned premiums been subject to the terms of the Praetorian agreement in 2006, the Company would have realized \$212,500 in profit sharing from U.S. underwriting.

The Company recorded an average annual administration cost per policy of \$31 for the rolling twelve month period ended December 31, 2006, down from \$36 in the preceding twelve month rolling period. As a percentage of premium, the average annual administrative cost fell to 10.8% from 12.9% in the prior year. This reduction is the result of the Company's continued efforts to leverage its infrastructure and to create operational efficiencies. The Company believes that this cost per policy, whether measured on an absolute basis or as a percentage of premiums, is the best in the industry. Acquisition cost per policy was an average of US\$56 compared to US\$68 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. The Company considers the break-even acquisition cost per policy to be approximately US\$70.

The pet insurance operations concluded the year with operating income of \$2,050,166 compared to a net operating loss of (\$439,485) for 2005. For the three month period ended December 31, 2006, the insurance business reported operating income of \$832,758 compared to a net operating loss of (\$192,326) for the same period in the prior year. In addition, the pet insurance operations achieved EBITDA of \$2,355,232 for the year and \$905,655 for the fourth quarter compared to EBITDA losses for the same periods 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 initially designed to generate significant earnings. These platforms will be used to deliver database and information services from which the Company expects to generate significant business at margins much greater than those that can be expected to be earned from the insurance operations.

For 2006, the Company generated revenues of \$3,299,698 from its non-insurance businesses, an increase of 102% from the \$1,634,764 earned last year. During the fourth quarter, the Company achieved non-insurance revenues of \$851,349, an increase of 81% from the \$470,909 reported in the same period in the prior 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 980,000 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 2006, revenues of \$439,474 were generated from these new revenue opportunities.

The Company's non-insurance business concluded the year with an operating loss of (\$1,390,814) compared to an operating loss of (\$1,673,047) last year. For the three months ended December 31, 2006 the non-insurance business reported an operating loss of (\$401,036) as compared to an operating loss of (\$532,653) for the same period in the prior year.

Consolidated Results

The Company had consolidated net income of \$659,352 , \$0.0001 per share, for the year and a consolidated net income of \$431,722 , \$0.0001 per share, for the fourth quarter of 2006 as compared to net losses of (\$2,112,892), (\$0.0096 per share), and (\$724,979) , (\$0.0004 per share), for the same periods in the prior year. The Company's consolidated EBITDA was \$1,142,123 for 2006 and \$555,722 for the three months ended December 31, 2006 as compared to EBITDA losses of (\$1,685,089) and (\$600,641) respectively for the same periods in the prior year.

At December 31, 2006, the Company had total assets of \$6,526,337 including unrestricted cash resources of \$1,847,368.

The Company will be hosting an investor conference call on Thursday, March 22, 2007 at 4:00 PM (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 641655.

CONSOLIDATED FINANCIAL HIGHLIGHTS:	For Year Ended		
	Dec. 31, 2006	Dec. 31, 2005	Change %
Insurance Commissions and Fees	\$15,162,020	\$12,690,750	20%
Microchip Technology and Non-insurance Revenue	3,299,698	1,634,762	102%
Interest and Other Income	106,549	104,674	2%
Total Revenue	\$18,568,267	\$14,430,186	29%
Cost of Sales – Microchip Technology	2,248,808	1,369,782	64%
Marketing Expenses	6,235,095	6,832,977	(9%)
Employment Expenses	4,780,984	4,572,033	5%
Stock Option Expense	348,294	324,798	7%
Administration Expenses	3,807,545	3,032,615	26%
Foreign Exchange	5,418	(16,930)	
Amortization of Capital, Intangible and Other Assets	482,771	427,803	13%
Net Income/(Loss) For the Period	659,352	(2,112,892)	
EPS - Basic	0.0001	(0.0096)	
EPS – Diluted	0.0001	(0.0096)	
Add Back: Amortization	482,771	427,803	
EBITDA*	\$ 1,142,123	\$ (1,685,089)	
Stock Option Expense	348,294	324,798	7%
Cash Flow From Operations	1,490,417	(1,360,291)	
Cash Resources	1,847,368	2,644,178	
Total Assets	6,526,337	6,671,644	
Gross Premiums Earned by Carriers	\$36,349,998	\$ 30,896,821	18%

CONSOLIDATED FINANCIAL HIGHLIGHTS:	For the Three Months Ended		
	Dec. 31, 2006	Dec. 31, 2005	Change %
Insurance Commissions and Fees	\$ 3,972,826	\$ 3,431,704	16%
Microchip Technology and Non-insurance Revenue	851,349	470,908	81%
Interest and Other Income	27,939	27,528	1%
Total Revenue	\$ 4,852,114	\$ 3,930,140	23%
Cost of Sales – Microchip Technology	622,979	391,851	59%
Marketing Expenses	1,323,676	1,876,188	(29%)
Employment Expenses	1,243,988	1,241,083	1%
Stock Option Expense	70,856	88,093	(20%)
Administration Expenses	1,026,652	934,898	10%
Foreign Exchange	8,241	(1,332)	
Amortization of Capital, Intangible and Other Assets	124,000	124,338	(1%)
Net Income/(Loss) For the Period	\$ 431,722	\$ (724,979)	
EPS – Basic	0.0015	(0.0048)	
EPS – Diluted	0.0015	(0.0048)	
Add Back: Capital Asset Amortization	124,000	124,338	
EBITDA*	\$ 555,722	\$ (600,641)	
Stock Option Expense	70,856	88,093	(20%)
Cash Flow From Operations	626,578	(512,548)	
Gross Premiums Earned by Carriers	\$ 9,336,236	\$ 8,348,966	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.

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.

Investor Relations Contacts:

Mark Warren, President and Chief Executive Officer
Glen Tennison, Chief Financial Officer
Pethealth Inc.
(905) 842-2615