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TECHNOLOGIES LTD.

NEWS RELEASE

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Covalon Reports Fiscal 2026 Third Quarter Results

- Revenue rises 20% year-over-year to over $10.0 million
- Gross margin expands to 67.2% from 46.5% in the prior year
- Earnings Per Share of $0.10, more than double the previous quarter
- Contamination Protection revenue increased 68% year-over-year and 34% over the previous quarter

MISSISSAUGA, Ontario – August 27, 2026 – (BUSINESS WIRE) – Covalon Technologies Ltd. (the "Company" or "Covalon") (TSXV: COV; OTCQX: CVALF), an advanced medical technologies company, today announced its fiscal 2026 third quarter results for the period ended June 30, 2026. Full financial statements and management's discussion and analysis are available on the Company's profile at www.sedarplus.ca.

Brent Ashton, Covalon's Chief Executive Officer, commented, "Covalon's third quarter of fiscal 2026 delivered outstanding results that clearly demonstrate the strong progress that Covalon has made in advancing our company, both strategically and financially. This quarter's revenue, gross margin, and Adjusted EBITDA were each the highest recorded by the Company in any quarter during the last five fiscal years."

Q3 Revenue of more than $10.0 million rose 20% year over year with solid growth in all three of the Company's sales channels. The Company's gross margins of 67.2% were up from 46.5% in the prior year. These results in revenue and gross margin were obtained with Operating Expenses in line with the past few years, demonstrating the Company's ability to scale revenue and profits with great efficiency. Adjusted EBITDA was $3.0 million, more than triple the prior year. Earnings Per Share was $0.10, which was greater than the sum of the past five quarters combined. The Company closed the quarter with $19.4 million in cash and no bank debt, an increase of $2.8 million from the prior quarter end.

Mr. Ashton added, "In a market growing at roughly 5%, Covalon's US Vascular Access and Surgical Consumables sales channel grew 51%, ten times the underlying market growth rate. This growth was fueled by the rapidly increasing adoption of the Company's Contamination Protection solution.

"Contamination at vascular access sites is an under-recognized problem with severe consequences. Bloodstream infections kill hundreds of thousands of people globally every year with significant costs to health systems estimated to be in the billions of dollars. Covalon understood the challenge of contamination, built products to help solve for it, and has advanced the Contamination Protection category around it. This pioneering work is now showing up at hospitals, at scientific meetings, and in Covalon's financial results. Third quarter revenue for the solution grew 68% over the same quarter last year and 34% over the immediately preceding quarter. Hospitals that started with a single product in a single care unit at a single site are extending to additional product, units, and sites. Covalon's pipeline of hospital opportunities for the Contamination Protection solution is robust both in quantity and in opportunity size.

“The growing awareness and importance of Contamination Protection is driving business development opportunities that would not have been available to Covalon a year or two ago. Covalon is now being recognized as a serious player in the medical technology space.

“Covalon has the financial foundation and the commercial momentum to execute on its aggressive growth strategy. We are still early, and the opportunity ahead of us is substantial. I remain confident in our ability to deliver for patients, for the clinicians who care for them, and for our shareholders.”

Financial Consolidated Interim Summary (Unaudited)

	Three Months Ended June 30,	
	2026	2025
Revenue	$10,041,033	$8,372,427
Gross Profit	$6,745,607	$3,892,495
Gross Margin %	67.2%	46.5%
Operating Expenses	$4,018,397	$3,971,157
Net Income	$2,810,837	$64,567
Adjusted EBITDA	$2,958,890(1)	$885,563(1)
Earnings Per Share (Diluted)	$0.10	$0.00

	Nine Months Ended June 30,	
	2026	2025
Revenue	$25,656,349	$24,124,375
Gross Profit	$16,117,227	$13,026,467
Gross Margin %	62.8%	54.0%
Operating Expenses	$12,417,784	$11,508,641
Net Income	$4,029,663	$1,699,752
Adjusted EBITDA	$4,704,114(1)	$3,014,215(1)
Earnings Per Share (Diluted)	$0.15	$0.06

(1) See “Non-GAAP Financial Measures” below, including for a reconciliation of the non-GAAP measures used in this release to the most comparable IFRS Accounting Standards measures.

The Company’s cash position as at June 30, 2026, was approximately $19.4 million, an increase of $2.8 million from the prior quarter end.

Conference Call Scheduled

A conference call and webcast to discuss Covalon's fiscal 2026 Q3 results will be held on Thursday, August 27, 2026 at 8:30 a.m. Eastern Time. To view, listen to, and participate in the live webcast, please follow the link below:

https://events.q4inc.com/attendee/768174807

To listen and participate via the conference call, please dial:

North America Toll-Free: 1-833-461-5787
International Toll: 1-585-542-9983
International Dial-Ins: https://help.events.q4inc.com/eahc/international-dial-in-numbers
Meeting ID: 768174807

Participants will be able to ask questions of Company management during the Q&A portion of the conference call.

A recording of the call will also be available at http://ir.covalon.com under Quarterly Results on the Financials tab.

Non-GAAP Financial Measures

This press release refers to certain non-GAAP measures. These measures are not recognized or defined measures under IFRS Accounting Standards, do not have a standardized meaning prescribed by IFRS Accounting Standards and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional financial information to complement those IFRS Accounting Standards measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should not be considered in isolation or as a substitute for analysis of our financial information reported under IFRS Accounting Standards. The non-GAAP financial measures, adjustments, and reasons for adjustments should be carefully evaluated as these measures have limitations as analytical tools and should not be used in substitution for an analysis of the Company's results under IFRS Accounting Standards. We use non-GAAP financial measures including "Adjusted Gross Margin" and "Adjusted EBITDA" to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS Accounting Standards measures. We believe that securities analysts, investors and other interested parties frequently use non-GAAP measures in the evaluation of issuers. Our management also uses non-GAAP measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation.

The following non-GAAP financial measures are presented in this news release, and a description of the calculation for each measure is included below:

Adjusted Gross Margin as gross profit before operating expenses, plus depreciation and amortization included in cost of sales, plus inventory provision amounts.

Adjusted EBITDA is defined as earnings (loss) before interest expense (income), depreciation and amortization, stock-based compensation, inventory provisions (reversals), gain (loss) on finance lease receivable, loss (gain) on lease liability, and loss (gain) on disposal of property, plant and equipment.

You should also be aware that the Company may recognize income or incur expenses in the future that are the same as, or similar to, some of the adjustments in these non-GAAP financial measures. Because these non-GAAP financial measures may be defined differently by other companies in our industry, our definitions of these non-GAAP financial measures may not be comparable to similarly titled measures of other companies, thereby diminishing their utility.

The table below provides a reconciliation of gross profit before operating expenses under IFRS Accounting Standards in the condensed consolidated interim financial statements to Adjusted Gross Margin for the three and nine months ended June 30, 2026, and 2025. Management believes that Adjusted Gross Margin is useful in assessing the performance of the Company's ongoing operations and its ability to generate cash flows from period to period. The adjusting items below are considered to be outside of the Company's core operating results, and these items can distort the trends associated with the Company's ongoing performance, even though some of those expenses may recur.

	Three months ended June 30,		Nine months ended June 30,	
	2026	2025	**2026**	2025
Gross profit	**$6,745,607**	$3892,495	**$16,117,227**	$13,026,467
Add: Depreciation and amortization	**50,673**	69,099	**134,136**	182,452
Add: Inventory provisions (reversals)	**(124,264)**	693,794	**23,212**	579,149
Adjusted Gross Margin	**$6,672,016**	$4,655,388	**$16,274,575**	$13,788,068
Adjusted Gross Margin %	**66%**	56%	**63%**	57%

The table below provides a reconciliation of net income under IFRS Accounting Standards in the unaudited condensed consolidated interim financial statements to Adjusted EBITDA for the three and nine months ended June 30, 2026. Management believes that these non-GAAP measures are useful in assessing the performance of the Company's ongoing operations and its ability to generate cash flows to fund its cash requirements from period to period. The adjusting items below are considered to be outside of the Company's core operating results, and these items can distort the trends associated with the Company's ongoing performance, even though some of those expenses may recur.

	Three months ended June 30,		Nine months ended June 30,	
	2026	2025	**2026**	2025
Net income	**$2,810,837**	$64,567	**$4,029,663**	$1,699,752
Add: Finance expense (income)	**(83,627)**	(143,229)	**(281,302)**	(331,616)
Add: Depreciation and amortization	**257,083**	216,053	**743,689**	706,799
Add: Stock-based compensation	**98,407**	54,378	**237,316**	210,441
Add: Inventory provisions (reversals)	**(124,264)**	693,794	**23,212**	579,149
Add: Loss on disposal of property, plant and equipment	**454**	-	**454**	-
Add: Loss on finance lease receivable	**-**	-	**50,585**	149,690
Add: Gain on lease liability	**-**	-	**(99,503)**	-
Adjusted EBITDA	**$2,958,890**	$885,563	**$4,704,114**	$3,014,215

All figures in Canadian dollars unless otherwise noted.

Those interested in learning about Covalon's solutions may visit www.covalon.com or follow Covalon on LinkedIn, Facebook, Instagram, or X.

To learn more about Covalon, please contact:

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About Covalon

Covalon is a leading MedTech company dedicated to improving patient outcomes through innovative and compassionate medical products and technologies. Our expertise spans advanced wound care, vascular access, and surgical consumables, with a strong focus on enhancing healing, reducing healthcare-associated infections (HAIs), and protecting skin integrity. Our solutions are designed for patients and made for care providers. The Company is listed on the TSX Venture Exchange (COV) and trades on the OTCQX Market (CVALF). To learn more about Covalon, visit our website at www.covalon.com.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

This news release may contain forward-looking statements which reflect the Company's current expectations regarding future events. The forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "estimate", "expect", "intend", or variations of such words and phrases or state that certain actions, events, or results "may", "could", "would", "might", "will" or "will be taken", "occur", or "be achieved". In addition, any statements that *refer to expectations, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts, but instead represent management's expectations, estimates, and projections regarding future events. Forward-looking statements involve risks and uncertainties, including, but not limited to, the factors described in greater detail in the "Risks and Uncertainties" section of our management's discussion and analysis of financial condition and results of operations for the year ended September 30, 2025, which is available on the Company's profile at www.sedarplus.ca, any of which could cause results, performance, or achievements to differ materially from the results discussed or implied in the forward-looking statements. Investors should not place undue reliance on any forward-looking statements. The forward-looking statements contained in this news release are made as of the date of this news release, and the Company assumes no obligation to update or alter any forward-looking statements, whether as a result of new information, further events, or otherwise, except as required by law.*

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