

## Covalon Announces Another Milestone Quarterly Profit on Excellent Third Quarter Financial Results

MISSISSAUGA, Ontario--(BUSINESS WIRE)--August 28, 2018--Covalon Technologies Ltd. (the "Company" or "Covalon") (TSXV: COV; OTCQX: CVALF), an advanced medical technologies company, is pleased to announce today another milestone quarterly profit of \$2.2 million on excellent third quarter financial results.

### Third Quarter Summary Financial Results

- Revenue for the three months ended June 30, 2018 was \$7,933,676, up 34%.
- Gross margin for the quarter ended June 30, 2018 was 82%, compared to 79% last year.
- Net income for the quarter was \$2,198,467 or \$0.10 per share, compared to \$541,346 or \$0.03 per share last year.
- Current cash balance in excess of \$5 million and a new \$17 million credit facility

### CEO Comment

Mr. Brian Pedlar, Covalon President and CEO, stated:

"Our third quarter financial results are very strong and are in line with our expectations. We have continued our solid financial growth this past quarter, with revenue of \$7.9 million and profits of \$2.2 million, which are another milestone for Covalon. We have worked hard to successfully deliver revenue from different Covalon product offerings as well as from different geographical markets, which clearly demonstrates that our business model is diverse and our strategy of operating in complementary markets creates a stronger company.

"As this quarter's financial performance demonstrates, we are not solely dependent on one market for our growth and prosperity. Licensing and royalty revenue for the quarter was very strong and reflects new and existing contracts we have undertaken with customers in a number of medical verticals. We have a very strong team focused on developing innovative products for large medical companies under development agreements, that create stable ongoing revenue from development services, license fees and royalties. We recently announced the receipt of the first license fee of US\$3.5 million under a new license agreement, which will deliver additional license fees of US\$5 million, fees for development services and equipment and ongoing royalties on worldwide product sales, once they are cleared for sale.

"Our revenue in the United States has increased significantly this quarter compared to last year. Revenue continues to grow from our IV Clear vascular access dressings and our ColActive Plus advanced wound care dressings in the United States where we currently operate without our own dedicated sales force – a situation the Company is working to address through acquiring our own sales team.

"We continue to deliver products under the competitive contracts previously announced in the Middle East. Revenue fluctuates under these contracts as our products are delivered to the institutions funded by the ministries of health that participated in the competitive contracts. Management of the Company believes, based on its ongoing communications with the Company's partner in Saudi Arabia, that the reported dispute between the Government of Canada and the Government of Saudi Arabia will not have a material negative impact on Covalon's business in the Middle East.

"I am encouraged by our continued progress in Europe and Latin America. We are receiving very positive feedback on our CovaWound line of advanced wound care products from hospitals and clinicians in the United Kingdom, as more hospitals and clinical commissioning groups purchase and use our products. We are also seeing strong interest by Latin American clinicians in the benefits of our full range of products, as we begin to secure business under small competitive contracts in several countries in the region. Over the coming months we anticipate continued steady growth in Latin America as more countries like Mexico, Argentina and Chile contribute to our revenue growth. We are also making great progress in advancing our strategy to grow Covalon through acquisitions that will provide us a direct sales force to expand our business in the United States, in addition to our current internal efforts.

"We continue to prudently invest in new product development, establishing distribution channels in new markets, and expand our already talented Covalon team. A number of the new products we introduced last year in our expanded CovaWound advanced wound care line have begun to contribute to our revenue this year to date. We have prudently begun to increase headcount in selected areas of operations, sales and marketing and research and development compared to last year at this time.

"Our balance sheet remains very strong and we currently have over \$5 million of cash in the bank. We recently announced that Covalon entered into a new acquisition and operating banking credit facility with HSBC Bank Canada that provides the Company with up to \$17 million of new credit facilities that will allow Covalon to fund its acquisitions plans, which are proceeding well, in addition to its inventory and working capital needs as the Company grows. We believe this banking agreement is in the best interests of shareholders as it provides growth capital to Covalon without the need for the dilution resulting from the issuance of shares."

### Conference Call Scheduled

A conference call to discuss Covalon's financial results will be held Tuesday August 28, 2018 at 9:00 a.m. EST. To participate in the call please dial:

Local/International: 647.689.4535  
North American Toll-Free: 833.299.8117  
Conference ID Code: 1897026

A recording of the call will be available by calling 855.859.2056 or 404.537.3406 and entering the conference ID code 1897026 from August 28th 2018 12:00pm EST to September 4th 2018 11:59pm EST.

### About Covalon

Covalon Technologies Ltd. researches, develops and commercializes new healthcare technologies that help save lives around the world. Covalon's patented technologies, products and services address the advanced healthcare needs of medical device companies, healthcare providers and individual consumers. Covalon's technologies are used to prevent, detect and manage medical conditions in specialty areas such as wound care, tissue repair, infection control, disease management, medical device coatings and biocompatibility. To learn more about Covalon, visit our website at [www.covalon.com](http://www.covalon.com)

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*This news release contains 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" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved and other similar expressions. These forward-looking statements involve risk and uncertainties, including the difficulty in predicting product approvals, acceptance of and demands for new products, the impact of the products and pricing strategies of competitors, delays in developing and launching new products, the regulatory environment, fluctuations in operating results and other risks, any of which could cause results, performance, or achievements to differ materially from the results discussed or implied in the forward-looking statements. Many risks are inherent in the industry; others are more specific to the Company. Investors should consult the Company's ongoing quarterly filings for additional information on risks and uncertainties relating to these forward-looking statements. Investors should not place undue reliance on any forward-looking statements. The Company assumes no obligation to update or alter any forward-looking statements whether as a result of new information, further events or otherwise.*

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