

Covalon Announces First Quarter Fiscal 2019 Results and Updates Plans for Fiscal 2019

- **Q1 Fiscal 2019 revenue in line with expectations at \$7.2 million up 13% compared to last year**
- **Fiscal 2019 contracted Middle East revenue expected to be approximately \$30 million, more than double the contracted revenue of fiscal 2018**
- **Fiscal 2019 revenue in United States on track to exceed \$25 million**
- **Conference call scheduled for February 27th, 2019**

MISSISSAUGA, Ontario--(BUSINESS WIRE)--February 26, 2019--Covalon Technologies Ltd. (the "Company" or "Covalon") (TSXV: COV; OTCQX: CVALF), an advanced medical technologies company, today announced its first quarter fiscal 2019 results and updated its plans for fiscal 2019.

Brian Pedlar, Covalon's President and CEO, said, "We are very much on track in executing on our fiscal 2019 plan that we disclosed previously. I am very pleased that starting Fiscal 2019, Covalon has achieved its strategic objective of revenue diversification so we are not as dependent on a single region for the majority of our revenue. We expect our business to be approximately half from the Middle East and half from the United States and the rest of the World.

"We are delivering to schedule on the \$30 million of competitive contracts that we anticipate recognizing in revenue in fiscal 2019 from the three-year series of contracts in the Middle East valued at \$100 million. As we previously disclosed, the \$30 million in revenue will be more heavily weighted in the second half of fiscal 2019, due to the agreed-upon delivery schedule of products to hospitals.

"I am very pleased with the progress from our acquisition of AquaGuard. Combined revenue in the United States is on track to exceed \$25 million in fiscal 2019. Sales of the recently-acquired AquaGuard product line are growing according to plan and our United States sales force has been engaged in the process of educating our new customer base of 1,500 hospitals on Covalon's infection prevention products."

Mr. Pedlar continued, "We are building on the transformative milestones that we achieved in fiscal 2018, and Covalon today truly is a significantly-improved company compared to one short year ago. I am very pleased with our strong product portfolio and that we have a more diverse business with the addition of AquaGuard. The \$100 million of competitive contracts awarded to Covalon doubled our contracted Middle East revenue for fiscal 2019 and secured it for three years. We are highly confident that we have significant opportunities to grow our United States business and a strong committed base of Middle East business in fiscal 2019 that will secure our presence in this market for the foreseeable future. The milestones we achieved will ensure our accelerated success not just for fiscal 2019, but for many years to come. Our unique suite of life-saving products are beginning to demonstrate real commercialization success, in large part due to the efforts of our dedicated and driven staff."

Q1 Fiscal 2019 Financial Results

Revenue for the three months ended December 31, 2018, was \$7.2 million, 13% or \$856,701 more than the prior year. Gross profit was 63% in Q1 fiscal 2019, compared to 71% in Q1 fiscal 2018. Net loss was \$1.9 million or \$0.09 per share, compared to a profit of \$0.5 million or \$0.02 per share (diluted) in Q1 fiscal 2018. Net income for Q1 fiscal 2019 included approximately \$1.0 million of acquisition costs, accretion, interest, and purchase accounting expenses associated with the acquisition of AquaGuard that were incurred during the quarter. No similar costs were incurred in the previous year's Q1.

Contracted revenue in the Middle East is derived from bulk purchases throughout the year which are not equally recognized in each of the Company's quarterly results. The decline in revenue from the Middle East in Q1 fiscal 2019 was expected and simply due to the timing of the shipments under the contracts. Revenue from the series of Middle East contracts previously awarded to the Company is expected to be approximately \$30 million in fiscal 2019, more than double the contracted revenue of fiscal 2018. As previously disclosed, the majority of contracted deliveries will be recognized in revenue in the last six months of the fiscal year ending September 30, 2019. These contract awards in the Middle East have resulted in additional potentially accretive opportunities for consideration by the Company, and Management is pursuing these additional revenue opportunities.

Revenue in the United States for the quarter was up 147% year-over-year in Q1 to \$5.5 million, which included increases in product revenue, including AquaGuard product sales and development services, licenses, and royalties. Fiscal 2019 revenue in the United States is on track to exceed \$25 million.

Conference Call Scheduled

A conference call to discuss Covalon's Fiscal 2018 Year-End Financial Results will be held Wednesday February 27th, 2019, at 9:00am EST. To participate in the call, please dial:

Toll-Free: 833.299.8117

International: 647.689.4535

Conference ID Code: 9088509

A recording of the call will be available by calling 855.859.2056 or 404.537.3406 and entering the conference ID code 9088509 from February 27th, 2019, at 12:00pm EST to March 6th, 2019, at 11:59pm EST.

Copies of Covalon's financial statements and MD&A can be obtained on SEDAR at www.sedar.com, as well as the Investor Relations tab of the Company's website at www.covalon.com.

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 infection control, vascular access, surgical procedures, advanced wound care, and medical device coatings. To learn more about Covalon, visit our website at 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 completion of integration of the AquaGuard acquisition, 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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