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NEWS RELEASE

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Covalon Announces First Quarter Fiscal 2021 Results

MISSISSAUGA, Ontario – March 1st, 2021 – /CNW/ - Covalon Technologies Ltd. (the "Company" or "Covalon") (TSXV: COV; OTCQX: CVALF), an advanced medical technologies company, today announced its first quarter fiscal 2021 results.

"Our first quarter of fiscal 2021, which ended December 31, 2020, demonstrated continued sequential improvement in our operations and financial performance as we continue to deal with the effects of COVID-19," stated Brian Pedlar, Covalon's President and CEO. "At the outset of the pandemic, we made an aggressive plan to significantly reduce our operating expenses and I'm pleased to report that those efforts led to an $0.8 million year over year improvement in our net loss and a near break-even Adjusted EBITDA(1) in Q1. More specifically, a 34% year over year reduction in our operating expenses resulted in our net loss for the quarter to improve to $0.4 million from a loss of $1.2 million during the comparable quarter last year. This improvement occurred despite our Q1 revenue being down 25% year over year as a result of COVID-19 related delays in shipments of our collagen products in the United States and lower consumption of our products by hospitals."

"We continue to monitor for signs of revenue recovery in our United States hospital customers and international distribution channels. The Covalon team worked very hard to control operating expenses and to mitigate the impact of COVID-19 on our business during the quarter. I am happy to report that we are overcoming the delays in our collagen supply chain and are working closely with our United States hospital customers on new products we launched in 2020."

"With cash-on-hand and amounts available under our HSBC operating bank line, we believe we have sufficient future cash flow to support our operating needs going forward. During the quarter, Covalon applied and was approved for $0.3 million of funding under the Canadian Emergency Wage Subsidy Program."

"This quarter, we engaged in approximately 10 customer development projects of various sizes with 5 medical product companies. We are very excited about these projects, including the various projects currently underway with the previously announced major contract with one of the world's largest medical device companies."

"We are working hard to return Covalon to profitability in our next fiscal quarter ending March 31, 2021."

Outlook for 2021

We are seeing signs of improvement in product usage by our customer base in the United States and internationally even though the COVID-19 restrictions have not eased in many of the geographies in which we operate.

Gross margins are expected to remain similar to Q1 for the remainder of fiscal 2021.

Reduced operating expenses in 2021 are anticipated to be consistent with fiscal 2020 and further reduced by additional government subsidies related to COVID-19 relief programs.

(1) See "Non-IFRS Measures" below, including for a reconciliation of the non-IFRS measures used in this release to the most comparable IFRS measures.

The changes made to our operations have placed the Company in a position to return to growth and profitability in 2021.

Strategic Review Process

As previously announced, in response to expressions of interest made by medical industry and private equity organizations, Covalon's Board of Directors formed a Special Committee and hired advisors to assist in undertaking a Strategic Review process to ensure that all available strategic alternatives to enhance value for our shareholders are being evaluated. The Special Committee is carefully deliberating on what actions, if any, are in the best interests of the Company's shareholders.

While this process is underway, our Company continues to remain focused on continuing to execute its growth strategy, promoting its life-saving products to the medical industry, and providing meaningful growth opportunities to our dedicated staff.

Q1 Fiscal 2021 Financial Results

Revenue for the three months ended December 31st 2020 was $6.0 million, compared to $8.0 million in the prior year. This decrease was largely driven by the impact of the COVID-19 pandemic. Gross profit was $3.6 million, compared to $4.8 million in Q1 fiscal 2020. Net loss was $0.4 million or $0.01 per share, compared to a net loss of $1.2 million or $0.05 per share in Q1 fiscal 2020.

Product revenue for the three months ended December 31st 2020 was $5.4 million, compared to $7.2 million in the previous year. Revenue in the United States was $4.5 million in Q1 fiscal 2021 compared to $6.4 million in Q1 fiscal 2020. Revenue in the United States was down $1.9 million predominantly as a result of COVID-19. The delay in shipments of collagen products resulting from COVID-19 related issues at a contract manufacturer temporarily delayed production and shipment of collagen products, which accounted for the majority of the decline. The slowdown in the consumption of our products in hospitals is anticipated to continue until hospitals and healthcare facilities resume the normal level of elective procedures.

Revenue in the Middle East was $0.8 million in Q1 fiscal 2021 compared to $0.9 in Q1 fiscal 2020 and revenue in other international markets was $0.7 million compared to $0.6 million the previous year. Development and consulting services revenue for the three-month period ended December 31, 2020 decreased by 26% to $0.5 million, compared to $0.7 million for the same period of the prior year.

Gross margin was 60% for Q1 fiscal 2021, compared to 61% for the prior year. Gross margin is significantly influenced by source of revenue and the relative mix of collagen-based dressings, silicone-based dressings, medical coated devices, passive dressings, moisture barriers, and related service revenues in any given financial period.

Adjusted gross margin[(1)], which excludes inventory provisions and depreciation, was 61% for Q1 fiscal 2021, compared to 64% for the prior year. The decline is attributed to product mix.

Operating expenses decreased $1.9 million to $3.8 million, compared to $5.8 million for the prior year's comparative period. The Company made strides to reduce operating expenses in relation to headcount

See "Non-IFRS Measures" below, including for a reconciliation of the non-IFRS measures used in this release to the most comparable IFRS measures.

and discretionary spending. Main drivers of the decrease were reductions in compensation expenses across all departments, travel recorded in sales, and administrative expenses. The Company also recorded $302,000 of government subsidies netted out against the related expenses.

Adjusted EBITDA(1) for Q1 fiscal 2021 was a loss of $134,090 from a loss of $126,126 in the prior year's comparative period.

Conference Call Scheduled

A conference call to discuss Covalon's Q1 fiscal 2021 financial results will be held Monday, March 1st, 2021 at 9:00am EST. To participate in the call, please dial:

North American Toll-Free: 1.888.664.6392
Local (Toronto): 416.764.8659
Confirmation Number: 13753009

A recording of the call will be available by calling 1.888.390.0541 or 416.764.8677 and entering the encore replay enter code 753009# from March 1st, 2021, at 12:00pm EST to March 15th, 2021 at 11:59pm EST.

See "Non-IFRS Measures" below, including for a reconciliation of the non-IFRS measures used in this release to the most comparable IFRS measures.

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Statement of Operations

The following unaudited table presents Covalon's consolidated statements of operations for the three-month periods ended December 31st, 2020 and 2019.

(unaudited)	Three months ended December 31, 2020	2019
Revenue		
Product	**$5,386,072**	$7,174,643
Development and consulting services	**541,750**	733,128
Licensing and royalty fees	**60,590**	40,788
Total revenue	**5,988,412**	7,948,559
Cost of product sales	**2,402,884**	3,112,775
Gross profit before operating expenses	**3,585,528**	4,835,784
Operating expenses		
Operations	**258,483**	460,934
Research and development activities	**217,228**	225,305
Sales, marketing and agency fees	**1,616,868**	2,912,492
General and administrative	**1,746,272**	2,186,046
	3,838,851	5,784,777
Financing expenses	**119,020**	225,740
Net loss	**$(372,343)**	$(1,174,733)
Other comprehensive loss		
Foreign currency translation adjustment	**(850,137)**	(411,153)
Other comprehensive loss	**$(1,222,480)**	$(1,585,886)
Basic loss per share	**$(0.01)**	$(0.05)
Diluted loss per share	**$(0.01)**	$(0.05)

See "Non-IFRS Measures" below, including for a reconciliation of the non-IFRS measures used in this release to the most comparable IFRS measures.

Non-IFRS Financial Measures

This press release makes reference to certain non-IFRS measures. These measures are not recognized or defined measures under IFRS, do not have standardized meaning prescribed by IFRS 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 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. The non-IFRS 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. We use non-IFRS 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 measures. We believe that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers. Our management also uses non-IFRS 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-IFRS financial measures are presented in this news release, and a description of the calculation for each measure is included below:

- Adjusted Gross Margin is defined as gross profit before operating expenses, plus depreciation and amortization included in cost of sales, plus inventory provision amounts.
- Adjusted EBITDA is defined as net loss, plus interest expense, plus depreciation and amortization, plus stock-based compensation, less government subsidies, plus inventory provisions, plus accounts receivable write-off expenses.

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-IFRS financial measures. Because these non-IFRS financial measures may be defined differently by other companies in our industry, our definitions of these non-IFRS 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 in the consolidated financial statements to Adjusted Gross Margin for the three months. 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.

(unaudited)	Three months ended December 31,	
	2020	2019
Gross profit before operating expenses	**3,585,528**	4,835,784
Add: Depreciation and amortization	**80,509**	81,438
Add: Inventory provisions	**6,909**	132,000
Adjusted Gross Margin	**3,672,946**	5,049,222
Adjusted Gross Margin (%)	**61.33%**	63.52%

The table below provides a reconciliation of net loss under IFRS in the consolidated financial statements to Adjusted EBITDA for the three months ended December 31, 2020. Management believes that these non-IFRS measures are useful in assessing the performance of the Company's ongoing operations and its ability to generate cash flows to funds 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.

(unaudited)	Three months ended December 31,	
	2020	2019
Net loss	**(372,343)**	(1,174,733)
Add: Interest expense	**119,020**	225,740
Add: Depreciation and amortization	**290,700**	293,378
Add: Stock based compensation	**124,078**	397,489
Less: Government subsidies	**(302,454)**	-
Add: Inventory provisions	**6,909**	132,000
Adjusted EBITDA	**(134,090)**	(126,126)

To learn more about Covalon, please contact:

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About Covalon

Covalon Technologies Ltd. is a researcher, developer, manufacturer, and marketer of patent-protected medical products that improve patient outcomes and save lives in the areas of advanced wound care, infection management and surgical procedures. Covalon leverages its patented medical technology platforms and expertise in two ways: (i) by developing products that are sold under Covalon's name; and (ii) by developing and commercializing medical products for other medical companies under development and license contracts. The Company is listed on the TSX Venture Exchange, having the symbol COV and trades on the OTQX Market under the symbol CVALF. To learn more about Covalon, visit our website at www.covalon.com.

Neither 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 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, the impact and timing of COVID-19 on operating activities and market conditions, 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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