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TECHNOLOGIES LTD.

NEWS RELEASE

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Covalon Reports Strong Sequential Quarter on Quarter and Trailing Twelve Months Performance

- **Sequential QoQ Revenue Growth of 10.4%, Adjusted EBITDA Growth of 52%**
- **Trailing Twelve Months Revenue Growth of 13%, Adjusted EBITDA Growth of 116%**

MISSISSAUGA, Ontario – August 21, 2025 – (BUSINESS WIRE) – Covalon Technologies Ltd. (the "Company" or "Covalon") (TSXV: COV; OTCQX: CVALF), an advanced medical technologies company, today announced its fiscal 2025 third quarter results for the period ended June 30, 2025, along with a number of important recent achievements and highlights.

Brent Ashton, Covalon's Chief Executive Officer, reported, *"The Covalon team has made numerous advancements on our strategic priorities in the past few months. This solid progress is enabling customer wins, exciting new partnerships, and important market development activities that will drive increased use of Covalon's life-saving products.*

In our most recent quarter, Covalon delivered sequential quarter-on-quarter (FY'25-Q2 to FY'25-Q3) growth as follows:

- *Grew Revenue by 10.4% to $8.4 million*
- *Grew Adjusted Gross Margin by 40 bps to 55.6%*
- *Grew Adjusted EBITDA by 52% to $0.9 Million*

For our most recent trailing twelve months, Covalon has:

- *Grown Revenue by 13% (more than double the underlying growth rate of the market)*
- *Grown Gross Profit dollars by 12%*
- *Increased Adjusted EBITDA by 116%*
- *Increased cash on hand by $8.7 million to more than $18 million – a significant amount of cash for a company of Covalon's size*

Our U.S. Vascular Access and Surgical Consumables sales channel delivered a record high quarter of revenue with fiscal year 2025 year to date revenue up by more than 35% vs. the prior year, driven by significant growth from Covalon's VALGuard® Vascular Access Line Guard product. New clinical evidence studies will be presented to thousands of clinicians at upcoming key scientific meetings, and Covalon expects that this will drive a strong acceleration in adoption for several of our key products.

Our US Advanced Wound Care sales channel delivered sequential quarter-on-quarter (FY'25-Q3 vs FY'25-Q2) growth exceeding 40% and on a trailing twelve months basis (FY'24-Q4 through FY25-Q3) is up more than 85% from the same period two years ago (FY22-Q4 through FY'23-Q3).

We also continue to have strong performance in our International sales channel, with year to date revenue up more than 35% compared to a year ago. Key business wins have taken place in the Middle East, Asia, and Latin America.

Covalon's strategic accomplishments, combined with our solid balance sheet with over $18 million of cash and no debt, puts us in a strong position to accelerate the adoption of our products to benefit a larger patient population and to unlock the significant value we believe is inherent in our Company. A number of pivotal market development elements are weeks away from exposure to thousands of clinicians between two major scientific meetings and publication in the Journal of the Association for Vascular Access. Covalon is clearly making a much bigger impact within the important spaces that we operate in, and the entire Covalon team is extremely energized for our future."

Recent Covalon Achievements and Highlights:

- A VALGuard® Line Guard clinical research study focused on the reduction of Central Line Associated Blood Stream Infections (CLABSIs) conducted at the Children's Hospital at Montefiore (CHAM), a nationally ranked teaching hospital in New York City, NY, will publish in the Fall edition of the Journal of the Association for Vascular Access in September, 2025.

  A scientific poster based on the study was recently elevated by the Association for Vascular Access to be one of four posters presented from the podium during a pediatric-focused breakout session at the Association's annual scientific meeting in September. This poster will also be showcased at the ANCC National Magnet Conference, a premier event for nursing professionals, being held in October.

- Covalon has advanced an exciting new use case and indication for its CovaClear IV® dressing for use as a secondary cover dressing to protect IV sites from contamination. A poster from a notable United States hospital demonstrating the strong clinical and economic benefits of this new use was recently selected for presentation at the upcoming Association for Vascular Access annual meeting in September. Advancing this new use case and indication opens up an attractive new revenue opportunity for Covalon.

- Covalon recently secured DTC eligibility for our stock. This advancement will make it much easier for US-based investors to invest in Covalon.

  See press release at:
  https://www.businesswire.com/news/home/20250820583527/en/Covalon-Technologies-Ltd.-Achieves-DTC-Eligibility-in-the-United-States

Conference Call Scheduled

A conference call and webcast to discuss Covalon's fiscal 2025 Q3 financial results will be held on Thursday, August 21 at 8:30am Eastern Time. To view, listen to, and participate in the live webcast, please follow the link below:

https://events.q4inc.com/attendee/481079572

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

North American Toll-Free: 1-800-549-8228
Local (Toronto): 289-819-1520
Local (New York): 646-564-2877
Conference ID: 77702

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 on www.covalon.com under Financials on the Investors tab.

Q3 Financial Overview

For the three-month period ending June 30, 2025:

Total revenue decreased to $8,372,427 compared to $9,224,307 in the same period of the prior year. The year-over-year decrease in product revenue was primarily driven by a normalization of channel inventory for one of the Company's Advance Wound Care US strategic partners and the timing of purchase orders received.

The Company reported a gross margin of 47% for the period, compared to 59% in the same period of the prior year. The year-over-year decrease in gross margin was primarily driven by the final write-off and destruction of slow moving and obsolete inventory, as well as changes in geographic and product mix. Excluding this write-off charge, gross margin for the period was 53.9%.

The operating expenses were relatively consistent at $3,971,157, compared to $3,956,311 in the same period of the prior period.

The operations department covers expenses related to quality control, quality assurance, production, and regulatory activities. Operations expenses decreased to $516,101 compared to $608,476 in the same period of the prior year. The year-over-year decline is primarily attributable to improved cost management and operational efficiencies implemented across the business.

Research and development expenses decreased to $311,340 compared to $378,647 in the same period of the prior year primarily due to lower patent & trademark costs as the costs can vary by quarter and fiscal year due to the timing and region of the renewals.

Sales and marketing expenses decreased to $1,121,065, compared to $1,387,869 in the same period of the prior year. The Company continues to refine and optimize its sales and marketing strategies to drive demand and support growth of its product portfolio.

General and administrative expenses increased to $2,022,651, compared to $1,581,319 in the same period of the prior year, driven by higher professional service fees to support strategic initiatives and increased spend in IT security to safeguard the company's data and systems. Wages, benefits, and consulting fees included non-cash share-based compensation expenses of $54,378; down from $150,100 in the prior year. These costs reflect outstanding stock options and deferred share units (DSUs) and their respective fair values.

For the nine-month period ending June 30, 2025:

Total revenue increased to $24,124,375 compared to $22,300,974 in the same period of the prior year, driven by continued double-digit growth in two of the Company's three strategic sales channels – US Vascular Access and Surgical Consumables, and International. The third

channel, US Advanced Wound Care, decreased by low single digits due to the normalization of inventory levels within the channel.

Gross margin for the nine months ended June 30, 2025, was 54%, compared to 61% for the same period in the prior year. This year-over-year decrease primarily reflects the final write-off and destruction of slow moving and obsolete inventory as well as a shift in the mix of products sold, which can naturally impact margins depending on product type and geographic distribution. Excluding this write-off charge, gross margin for the nine months ended June 30, 2025 was 56.6%

It is important to note that gross margin may fluctuate from period to period due to changes in the composition of sales across product categories and regions - an inherent aspect of operating in dynamic and diverse markets.

During the nine months ended June 30, 2025, the Company recorded inventory provisions of $579,149, which included the write-down of certain products and the destruction of inventory that did not meet its rigorous quality standards. This compares favorably to the $906,701 provision recorded in the prior year and highlights the Company's ongoing commitment to product quality, as well as continuous improvements in inventory management and supply chain efficiency.

Operating expenses decreased to $11,508,641 compared to $12,104,067 in the same period of the prior year. The majority of this decrease, was driven by lower sales and marketing expenses, with additional reductions realized across operations and research and development. These savings reflect the Company's ongoing focus on cost efficiency and disciplined expense management.

Operations expenses decreased to $1,338,641 from $1,662,428 in the same period of the prior year. The reduction was primarily attributable to the timing of expenses related to product development initiatives recognized in the prior year, as well as improved cost management and operational efficiencies implemented across the business.

Research and development expenses decreased to $1,005,138 compared to $1,140,568 in the same period for the prior year, primarily due to the capitalization of eligible patent-related costs in the current period.

Sales and marketing costs decreased to $3,581,047 compared to $4,297,132 in the same period of the prior year, due primarily to company's strategic efforts to streamline operations and align resources more closely with current key initiatives to support our long-term growth plan.

General and administrative expenses increased to $5,583,815 compared to $5,003,939 in the same period in the prior year, due primarily to higher spending on professional service fees and strengthening the company's IT security infrastructure. The rise in professional service fees reflects the company's continued focus on enhancing corporate governance and strategic planning capabilities through use of external legal, financial and advisory expertise. These services support ongoing initiatives to position the company for long-term growth and operational resilience. Increase in IT security expenses reflect the company's proactive approach to protecting data, safeguarding digital infrastructure and mitigating evolving cyber risks.

Wages, benefits, and consulting fees (for all departments) include a non-cash expense related to stock options that the Company had previously granted. During the nine months ended June 30, 2025, stock-based compensation expense was $210,441 compared to $347,493 in the prior year. These expenses reflect the number of options and DSU's outstanding and their respective fair values for accounting purposes.

Statement of Operations

The following audited table presents Covalon's consolidated statements of operations for the three-month and six-month periods ended June 30, 2025, and 2024.

	Three months ended June 30,		Nine months ended June 30,	
	2025	2024	**2025**	2024
Revenue				
Product	**$8,372,427**	$9,206,808	**$24,036,355**	$22,170,597
Development and consulting services	**-**	-	**5,826**	56,540
Licensing and royalty fees	**-**	17,499	**82,214**	73,837
Total revenue	**8,372,427**	9,224,307	**24,124,375**	22,300,974
Cost of sales	**4,479,932**	3,792,582	**11,097,908**	8,710,250
Gross profit	**3,892,495**	5,431,725	**13,026,467**	13,590,724
Operating expenses				
Operations	**516,101**	608,476	**1,338,641**	1,662,428
Research and development activities	**311,340**	378,647	**1,005,138**	1,140,568
Sales, marketing and agency fees	**1,121,065**	1,387,869	**3,581,047**	4,297,132
General and administrative	**2,022,651**	1,581,319	**5,583,815**	5,003,939
	3,971,157	3,956,311	**11,508,641**	12,104,067
Finance expenses (income)	**(143,229)**	27,364	**(331,616)**	39,740
Loss/(gain) on finance lease receivable	**-**	-	**149,690**	(610,008)
Net income	**$64,567**	$1,448,050	**$1,699,752**	$2,056,925
Other comprehensive income (loss)				
Amount that may be reclassified to profit or loss				
Foreign currency translation adjustment	**(1,590,955)**	287,426	**219,344**	476,331
Total comprehensive income (loss)	**($1,526,388)**	$1,735,476	**$1,919,096**	$2,533,256
Income per common share				
Basic income per share	**$0.00**	$0.06	**$0.06**	$0.08
Diluted income per share	**$0.00**	$0.06	**$0.06**	$0.08

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Non-GAAP Financial Measures

This press release makes reference to certain non-GAAP measures. These measures are not recognized or defined measures under IFRS Accounting Standards, do not have 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 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 is defined as gross profit before operating expenses, plus depreciation and amortization included in cost of sales, plus inventory provision amounts.
- Adjusted EBITDA as earnings (loss) before interest expense (income), depreciation and amortization, stock-based compensation, inventory provisions (reversals), gain (loss) on finance lease receivable, and loss (gain) on disposal of property 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 consolidated financial statements to Adjusted Gross Margin for the three-month and nine-month periods ended June 30, 2025, and 2024. 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,	
	2025	2024	**2025**	2024
Gross profit	**$3,892,495**	$5,431,725	**$13,026,467**	$13,590,724
Add: Depreciation and amortization	**69,099**	58,017	**182,452**	168,887
Add: Inventory provisions (reversals)	**693,794**	424,606	**579,149**	906,701
Adjusted Gross Margin	**4,655,388**	5,914,348	**13,788,068**	14,666,312
Adjusted Gross Margin (%)	**56%**	64%	**57%**	66%

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-month and nine-month periods ended June 30, 2025, and 2024. 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,	
	2025	2024	**2025**	2024
Net income	**$64,567**	$1,448,050	**$1,699,752**	$2,056,925
Add: Finance expense (gains)	**(143,229)**	27,364	**(331,616)**	39,740
Add: Depreciation and amortization	**216,053**	246,416	**706,799**	734,366
Add: Stock based compensation	**54,378**	150,100	**210,441**	347,493
Add: Inventory provisions (reversals)	**693,794**	424,606	**579,149**	906,701
Add: Impairment of intangible asset	**-**	-	**-**	176,025
Add: Loss on disposal of property and equipment	**-**	85,021	**-**	85,021
Add: (Gain)/loss of finance lease receivable	**-**	-	**149,690**	(610,008)
Adjusted EBITDA	**$885,563**	$2,381,557	**$3,014,215**	$3,736,263

To learn more about Covalon, please contact:

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About Covalon

Covalon is a leading medical device 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, 2024, 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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