New Covalon CEO Provides Shareholder Update and Releases Second Quarter Results

MISSISSAUGA, ON, May 27 /CNW/ - Covalon Technologies Ltd. (the "Company" or "Covalon") (TSX-V: COV), an advanced medical technology company, is pleased to provide a shareholder update from its new Chief Executive Officer, Brian Pedlar, as well as announcing the financial results of its second quarter ending March 31, 2010.

CEO Update

Mr. Pedlar, who was appointed Covalon's CEO on April 5, 2010, today made the following comments, some of which were presented at the Company's annual and special meeting of shareholders held on Wednesday May 19, 2010:

- "Covalon has an excellent scientific team who are committed to the success of the Company.
- I am very pleased with the strength and breadth of Covalon's technology, especially in advanced wound care and specialized medical device coatings.
- We are actively pursuing new business opportunities with both existing and new clients and are hopeful that some announcements will be made in the near future.
- Over the past few quarters, we have been able to reduce operating expenses and the Company's cash burn rate.
- I am absolutely focused on doing everything we can to become cash flow positive and profitable as quickly as possible.
- We have a relatively strong balance sheet with almost five and a half million dollars in cash, cash equivalents and short-term investments and no debt.
- We are accelerating the process of transitioning from solely a research lab to a successful commercial technology business creating value from its current portfolio of patents and intellectual property.
- To that end, Covalon will no longer continue to independently fund major, early-stage genetic stem cell research projects like our EPAS1 project without first seeking financial and/or industry partners.
- While the Company assesses the most recent experiment which did not demonstrate that EPAS1-modified allogeneic (non-donor specific) stem cells improved both perfusion (volume of blood flow) and cardiac function better than either un-modified allogeneic stem cells or no stem cells, the Company has recorded a $1,700,350 non-cash charge in the income statement for the deferred development cost asset associated with EPAS1 research."

"I look forward to building shareholder value by focusing on those technologies and merger and acquisition opportunities that can make the Company more profitable in the near term. There is a great deal of work to be done, but most biotech companies would be envious of Covalon's current position," added Mr. Pedlar.

Second Quarter Financial Results

The Company also announced today its second quarter financial results, which included a modest increase in revenue, steps towards becoming cash flow positive and a loss of $0.03 per share.

Covalon continues to have a strong balance sheet with no debt and $5,470,623 million in cash, cash equivalents and short term investments as of March 31, 2010.

For the six months ended March 31, 2010, Covalon had product sales and licensing revenues of $1,623,195, up 49% compared to $1,086,775 for the same period in the previous fiscal year.

The amount of cash consumed by the Company in the three-month period ended March 31, 2010 was $458,119 an improvement of $1,320,511 compared to the second quarter of the previous fiscal year and $149,765 less cash consumed than Q1 of the current fiscal year.

For the first half of the current fiscal year, the Company incurred a net loss of $2,536,292 or $0.034 per share

(which included the $1,700,350 non-cash charge) compared to a net loss of $2,829,122 ($0.037 per share) for the first half of the previous fiscal year. The loss per share for the second quarter this year was $0.028 per share compared with $0.018 for the second quarter of the previous year. Excluding the one-time charge, the loss for the quarter would have been $392,584 ($0.005 per share); an improvement over the previous year's second quarter loss of $1,481,658 ($0.018 per share).

Further details can be found in the Company's quarterly filings at www.sedar.com

About Covalon

Covalon Technologies Ltd. is a unique medical technologies company engaged in the research, development, and commercialization of advanced tissue repair applications, infection control, and specialized coatings for medical and consumer products. Together, our technology platforms, wound care products, and consulting services deliver a suite of cost-effective solutions to help our customers achieve product differentiation through improved patient outcomes. Our technologies address important healthcare issues such as infection control, medical device biocompatibility and healthy tissue repair. 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 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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