Covalon Announces Annual Financial Results

MISSISSAUGA, ON, Jan. 28 /CNW/ - Covalon Technologies Ltd. (the "Company" or "Covalon") (TSX-V: COV), an advanced medical technologies company, today announced the following financial results for its year ended September 30, 2010:

- Annual revenue reached $3,231,067 up 54% year over year;
- Annual operating expenses decreased by approximately 43% or $2,577,640 year over year;
- Operations consumed $58,201 of cash during the twelve months ended September 30, 2010 compared to $4,668,210 for the same 12 month period in the prior year;
- Covalon continues to have a strong balance sheet with no debt and $6,338,578 in cash, cash equivalents and short-term investments as of September 30, 2010;
- Net loss for the fiscal year 2010 was $3,934,947 (including a non-recurring charge of $1,700,350 related to deferred development costs), compared to a net loss of $4,874,809 reported for fiscal 2009.
- Loss per share for the year ended 2010 and 2009 was $0.05 and $0.07, respectively.

The substantial improvement in operating cash flow resulted from a more commercial approach to relationships with customers, significant reductions in operating expenses and a focused approach to managing working capital. Operating costs were lower as a result of reduced headcount, reduced outside professional fees and changes to our project funding model. Included in the loss for the year was the previously announced $1,700,350 non-cash charge in the income statement for the deferred development cost asset associated with the EPAS1 research project.

Brian Pedlar, Covalon's Chief Executive Officer stated, "Our annual results compared to last year show an improvement - operating cash outflow substantially improved year over year, revenue was up 54% and operating expenses down 43%. While we are making progress towards a more commercially-focused Company, there is still much to be done in order to unlock the true value of Covalon."

"Over the past eight months I discovered a number of key strengths of Covalon that are yet to be reflected in the value of our Company - a deep technology portfolio, new management with a proven track record, significant cash in the bank and no debt financing. We are working very hard and countless hours have been invested in moving Covalon farther along the road to generating higher shareholder value. As part of our future direction, Covalon will be exploring how to best leverage our existing and new technologies in our current OEM market as well as other channels," Mr. Pedlar stated.

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

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 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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