Covalon Provides Corporate Update and Third Quarter Financial Results

MISSISSAUGA, ON, Aug. 29, 2011 /CNW/ - Mr. Brian Pedlar, President and CEO of Covalon Technologies Ltd. (the "Company" or "Covalon") (TSXV: COV), an advanced medical technologies company, is pleased to provide the following update. "We are very pleased that Covalon continues to make excellent progress in meeting its objectives.

As previously announced, Covalon recently recovered the exclusive worldwide rights to its advanced wound care products from a major medical company that was only selling them in one limited market segment.

As a result of this, Covalon increased its sales and marketing team in order to aggressively expand its advanced wound care business with additional distribution partners throughout the world.

Our enhanced team's efforts have already resulted in the recently-announced new distribution agreement in the Middle East for Covalon's advanced wound care dressings with purchase commitments for a minimum of $700,000 in the first year of the agreement and a total minimum purchase commitment of approximately $11.2 million over five years.

We fully expect to announce additional deals in the near future.

We are also aggressively marketing Covalon's medical coating technologies into new specialties and markets.

Meanwhile, our scientists are enthusiastically working on a number of new technologies in the lab in addition to new wound care and medical coating products. In particular, new research is actively taking place on an exciting new generation of biosensors and telehealth technologies with wireless capabilities. To this end, we announced this past week the signing of a strategic alliance agreement with Mitec Telecom Inc. (TSX: MTM), a leading designer and manufacturer of mobile wireless components.

Finally, Covalon is evaluating acquisition opportunities that have the potential to significantly add capabilities and new market opportunities.

Our focus on developing new business opportunities for the Company's core wound care products and medical coating services are progressing well and will positively impact our operating results going forward. The Company announced financial results for its third quarter ended March 31, 2011. Quarterly revenue was $343,049 as a result of the changeover from the old exclusive wound care distribution arrangement to the new path we have chosen which is resulting in new agreements. Quarterly operating expenses were $1,300,097. Net loss was $1,207,559 or $0.016 per share. Covalon continues to have a strong balance sheet with no debt and over $5,000,000 in cash, cash equivalents and short-term investments as of August 25, 2011.

I believe that Covalon now has the fundamentals in place to transform itself into an exciting market driven healthcare company."

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 wound care, tissue repair, infection control, disease management, medical device coatings and biocompatibility. 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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