Covalon Provides Corporate Update and Year End Financial Results

MISSISSAUGA, ON, Jan. 27, 2012 /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.

"This past fiscal year has seen Covalon undergo significant changes and the Company continues to make substantial progress in meeting its planned objectives.

Covalon's new sales and marketing team has moved quickly to aggressively expand its advanced wound care business with additional distribution partners. During fiscal 2011, we announced that Covalon 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.

Following this announcement, we announced the signing of two international distribution agreements with combined committed revenues of $23.2 million over the terms of the agreements for our advanced wound care product ColActive® Plus Ag.

We are also aggressively marketing Covalon's medical coating technologies into new specialties and markets. During the fourth quarter of fiscal 2011, we announced a $7.7 million distribution agreement with a China-based medical device distributor to market Covalon's antimicrobial catheters throughout China and Hong Kong.

We fully expect to announce additional deals in the near future, both within North America and Internationally. Covalon has attended or presented at ten major medical conferences and trade shows during the past year and has engaged over sixty new companies in confidential discussions to evaluate Covalon's products and technologies.

Our medical product development pipeline was strengthened during fiscal 2011, as we re-focused our development efforts on market driven products. We currently have five products in the process of regulatory clearance and have obtained Health Canada clearance on two significant new products - IV Clear® and SurgiClear®. New research has commenced on an exciting new generation of biosensors and telehealth technologies with wireless capabilities.

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

The Company announced financial results for its year ended September 30, 2011. Revenue for the year was $2,588,025. Revenue was down year over year 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.

Annual operating expenses were $4,923,735. During the year, the Company had five new market-focused products move into the final phases of development and regulatory filing. Substantial resources were required for outside testing to provide data for FDA and other regulatory filings. As a result, research and development expenses increased by $357,789 during the year.

Sales and marketing expenses were $1,065,921 compared to $376,726 in the prior year. Over the past year management made substantial improvements in the sales and marketing functions of the business in an effort to increase the Company's customer base. During fiscal 2011, Covalon attended or exhibited at ten industry trade shows. During fiscal 2010, the Company did not exhibit at any tradeshows. More resources were invested on sales and marketing by expanding the sales and business development staff from one person to six people.

Net loss was $3,561,941 or $0.05 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 September 30, 2011.

Covalon is progressing well on its plan to transform into a market driven healthcare company. I am confident the changes made in fiscal 2011 will positively impact fiscal 2012 and beyond," stated Brian Pedlar, Covalon's President and CEO.

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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