

Covalon Posts Record First Quarter Financial Results

MISSISSAUGA, Ontario--(BUSINESS WIRE)--Jan. 30, 2017-- Covalon Technologies Ltd. (the "Company" or "Covalon") (TSXV: COV), an advanced medical technologies company, announced today record first quarter financial results, which included revenue of \$5,608,927 and profit of \$543,110 or \$0.03 per share for the three months ended December 31, 2016. This compares to revenue of \$2,440,633 and a profit of \$267,310 or \$0.02 per share for the three months ended December 31, 2015. The significant improvement in the Company's revenue in the first quarter compared to the prior year includes the first shipments of IV Clear and CoActive Plus products to fulfil the tenders awarded to the Company by the Ministry of Health in Saudi Arabia. Covalon expects that deliveries under the 12 month contracts will continue for the following three quarters.

Gross margins increased to 80% or \$4,461,499 for the three months ended December 31, 2016 compared to 66% in the comparative period, driven mainly by product mix and volume. Included in operating costs for the quarter are expenses related to the delivery, in-service and support of its products in hospitals and institutions in Saudi Arabia, which are provided by the Company's distribution partner.

The Company also released its annual financial results for the year ended September 30, 2016, which included revenue of \$6,711,008 and a loss of \$3,095,148 or \$0.26 per share.

Brian Pedlar, Covalon's CEO, stated:

"The Covalon team has achieved a major milestone in the Company's history to date. The hard work invested in building our product portfolio, our corporate brand and our commercial channels is beginning to translate into solid financial performance. During the past year, we focused heavily on the health care tender process in the Middle East and identifying the key public, government and private health care facilities that set standards of care in each specific region. We were successful in securing a number of contracts, some of which we have begun to satisfy by delivering our products during the quarter ended December 31, 2016.

In 2016, Covalon press-released a number of successes that have truly transformed the Company, not only operationally, but financially as well. We anticipate that our quarter ended December 31, 2016 will be representative of the level of business we can expect throughout our fiscal 2017 and should allow us to achieve \$20 million of revenue in fiscal 2017, which represents a dramatic increase over fiscal 2016 financial performance.

"I am extremely confident in our business model and its ability to rapidly scale. I am also very confident that our product portfolio can compete with all the major players in the health care verticals we enter. Being a micro-cap healthcare company means our products must speak for themselves. We have begun to implement our Middle East business model in Latin America, the United States, Asia and Europe and we anticipate these markets will also begin to build on our strong financial performance experienced during the quarter ended December 31, 2016. So far in fiscal 2017, we have seen our efforts lead to commercial success, and begin to translate into increased value for our stakeholders."

A conference call to discuss Covalon's financial results will be held Tuesday January 31, 2017 at 9:00 a.m. EST. To participate in the call please dial:

Local / International: 1 416-640-5946
North American Toll- Free: 1 866-233-4585

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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