

Covalon Announces Major Corporate Initiatives And Second Quarter Results

- Special Committee of the Board formed to evaluate acquisitions, strategic alliances, and partnerships as a result of recent announcement of \$100 million in contract awards
- Significant progress is being made on the evaluation of potential accretive acquisitions
- Covalon to consider the potential for buy-back of shares at the appropriate time
- Covalon intends to utilize operating cash flows and non-dilutive sources of cash to accomplish initiatives currently contemplated

MISSISSAUGA, Ontario--(BUSINESS WIRE)--May 28, 2018-- Covalon Technologies Ltd. (the "Company" or "Covalon") (TSXV: COV; OTCQX: CVALF), an advanced medical technologies company, today announced some major corporate initiatives and second quarter results.

Formation of Special Committee

Covalon has established a Special Committee of the Board of Directors (the "Committee") to evaluate potential acquisitions, strategic alliances, and partnerships in response to the interest generated following the Company's recent announcement of its \$100 million contract awards in the Middle East. The Board believes that the capital markets have not yet fully appreciated the impact of the highly transformative recent announcement of \$100 million of contracted revenue over the next three years in addition to the many other significant initiatives underway. The Committee's mandate is to assist management in evaluating all of these potential initiatives in order to maximize full value for shareholders. The Committee is comprised of Dr. Murray Miller, Lead Director, who will serve as Chair of the Special Committee, Mr. Martin Bernholtz, Chair of Covalon's Audit Committee, and Mr. Abe Schwartz, Chair of Covalon's Board of Directors.

Significant progress being made on evaluation of potential acquisitions

Covalon is making significant progress as it carefully assesses numerous opportunities for potential acquisitions. The Company has identified a clear set of criteria for potential acquisitions that would both compliment and accelerate Covalon's internal growth. Covalon's recent announcement of its \$100 million contract awards in the Middle East has resulted in additional potentially accretive opportunities for consideration by the Company.

Covalon to consider the potential for buy-back of common shares of the Company

In addition to the initiatives of the Special Committee and in light of the current market price, the Board will consider the potential for the buy-back of common shares of the Company, pursuant to a Normal Course Issuer Bid at the appropriate time, and subject to regulatory approval.

Covalon intends to utilize operating cash flows and non-dilutive sources of cash to accomplish initiatives currently contemplated

The Company anticipates that current cash requirements, including potential acquisitions, will be met by cash generated from sales and non-dilutive debt, without the need to raise capital via the sale of shares.

Second Quarter Results

The Company posted second quarter revenue of \$5,727,275 and a net loss of \$479,082 for the three months ended March 31st 2018, and revenue of \$12,131,980 and net income of \$44,263 for the six months ended March 31st 2018.

Mr. Brian Pedlar, Covalon's President and Chief Executive Officer, said, "Based on second quarter results and anticipated business in the second half of the fiscal year, the Company is very much on track to achieve year-over-year revenue growth for fiscal 2018, compared to fiscal 2017's \$27.3 million in revenue. Our revenue in the United States has more than doubled in the first six months of fiscal 2018, compared to last year. Our Middle East contracted deliveries are unfolding according to our delivery expectations, without taking into account any of the \$100 million of contracted revenue over the following three years. I am very pleased with our performance year-to-date.

"More importantly, Covalon has never been on better financial and operational footing in its entire history. The Company currently has a clean balance sheet with no debt, has secured significant future contracted revenues, and has more than 150 United States FDA-cleared products and over 30 patents to protect its world-class technology platforms. We are working on many positive initiatives and are exploring many different expressions of interest," continued Mr. Pedlar.

Conference Call Scheduled

A conference call to discuss this news release will be held on Tuesday May 29th 2018 at 9:00am EST. To participate in the call, please dial in ahead of the scheduled time at:

Local / International: 647-689-4535
North American Toll-Free: 1-833-299-8117
Confirmation Code: 6963249

A recording of the conference call will be available from 12:00pm EST May 29th 2018 to 11:59pm EST on June 7th 2018 using the following dial-in information:

Local / International: 404-537-3406
North American Toll-Free: 1-855-859-2056
Confirmation Code: 6963249

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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Source: Covalon Technologies Ltd.

Covalon Technologies Ltd.
Brian Pedlar, 905-568-8400 x 233
CEO
bpedlar@covalon.com
Toll free: 1-877-711-6055
www.covalon.com
Twitter: @covalon

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