

Covalon Announces Closing Of Aquaguard Acquisition Combining Covalon's Rich Technology Portfolio With Aquaguard's Excellent Products And Specialized Salesforce Capable Of Selling Covalon's Products Throughout The United States

MISSISSAUGA, Ontario--(BUSINESS WIRE)--Oct. 1, 2018-- Covalon Technologies Ltd. (the "Company" or "Covalon") (TSXV: COV; OTCQX: CVALF), an advanced medical technologies company, today announced that it has closed the acquisition (the "Closing") of AquaGuard, the Seattle, Washington-based division of medical technologies company Cenorin, LLC. AquaGuard's specialized products provide patients with crucial moisture protection for wound, surgical, and vascular access sites throughout the body while showering.

Brian Pedlar, Chief Executive Officer of Covalon, said, "I am delighted to welcome the AquaGuard team to Covalon. As a unified company, AquaGuard and Covalon can market and sell a strong portfolio of infection management products such as IV Clear, MediClear Pre-Op, SurgiClear, and AquaGuard into an established client base of over 1,500 hospitals and clinics in the United States. The synergy opportunities for Covalon are truly transformative to Covalon's United States footprint."

As previously announced, Covalon acquired all of the assets and staff dedicated to the AquaGuard business from Cenorin, LLC. The consideration of \$16.1 million (US\$12,375,000) was comprised of the following:

- \$4.7 million (US\$3,617,392) in cash paid on closing
- \$0.03 million (US\$20,608) in cash within 5 business days of closing
- \$0.65 million (US\$500,000) of shares of Covalon issued on closing, which will be held in escrow for up to two years
- \$3.32 million (US\$2,552,300) payable 12 months from the date hereof
- \$6.5 million (US\$5,000,000) payable 24 months from date hereof
- \$0.89 million (US\$684,700) of assumed liabilities payable to management and key staff of AquaGuard by issuance of shares of Covalon on closing
- In addition, there is potential contingent consideration of up to \$1.17 million (US\$900,000) payable upon achievement of certain revenue targets by December 31, 2018.

During its last fiscal year ended December 31, 2017, the AquaGuard business recorded \$11.1 million (US\$8.5 million) in revenue and \$683,000 (US\$526,000) in profit before taxes.

About AquaGuard

AquaGuard is a United States-based medical technology business that specializes in infection protection products that protect surgical incisions, intravenous (IV) sites, catheters, PICC lines, and other dressings from water and other moisture while a patient showers. AquaGuard's family of products provide protection for sites and dressings all over the body, and can be applied by most patients without the need of assistance from medical professionals.

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 infection control, vascular access, surgical procedures, advanced wound care, and medical device coatings. 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 completion of the integration of AquaGuard, 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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