*FORM 51-102F3*
***MATERIAL CHANGE REPORT***

**Item 1 Name and Address of Company**

Covalon Technologies Ltd.
405 Britannia Road East, Suite 106
Mississauga, Ontario
L4Z 3E6

**Item 2 Date of Material Change**

August 28, 2009

**Item 3 News Release**

A press release with respect to the material change described herein was issued on August 28, 2009, a copy of which is attached hereto as Schedule "A".

**Item 4 Summary of Material Change**

Covalon Technologies Ltd. ("Covalon") announced the departure of its Chief Operating Officer.

**Item 5 Full Description of Material Change**

Covalon announced the departure of Dr. Sonia Sanhueza as Chief Operations Officer. The Company feels that it can be more efficient and further reduce its expenses by not continuing to have someone hold such a position at this time given the decision taken to not build its own custom manufacturing facility.

**Item 6 Reliance on subsection 7.1(2) of National Instrument 51-102**

Confidentiality is not requested.

**Item 7 Omitted information**

Not applicable.

**Item 8 Executive Officer**

For further information, contact Frank DiCosmo, President & Chief Executive Officer of Covalon Technologies Ltd., at (905) 568-8400.

**Item 9 Date of Report**

August 28, 2009

**COVALON TECHNOLOGIES LTD.**

*"Peter Hobbes"*

By: Peter Hobbes
Title: Chief Financial Officer

SCHEDULE “A”

# NEWS RELEASE

**Covalon Technologies Ltd.**
Advancing Medical Biosystems

*ISO 13485:2003 CERTIFIED*

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## Covalon Releases Third Quarter 2009 Financial Results

MISSISSAUGA, Ontario – August 28, 2009 - Covalon Technologies Ltd. (TSX-V: COV) announces the release of its financial statements for the third quarter of fiscal 2009 ending June 30, 2009. Revenues from product sales, coating services and licensing fees for the three months ended June 30, 2009 were $401,837, an increase of $64,575 over the same period in the previous year. Total operating expenses excluding product were $1,339,495 for the three months ended June 30, 2009 a decrease of $559,691 from the three months ended March 31, 2009. At June 30, 2009, the Company had $7.8 million in cash and cash equivalents available for use.

Mr. Peter Hobbes, Covalon’s Chief Financial Officer commented, “Covalon recently made the right decision to discontinue any attempt at building a custom manufacturing capability and instead focus on our core competencies of innovating and developing new products and technologies. This was a key factor in significantly reducing our operating expenses from the second quarter to the third quarter of fiscal 2009.”

Dr. Frank DiCosmo, Covalon Co-Founder, President and Chief Executive Officer stated, “The past quarter and this summer has been extremely busy for all of us at Covalon. We have been working non-stop on a number of new initiatives at the same time as diligently continuing our efforts on existing projects. We anticipate that both these streams of effort will lead to some significant long term business for Covalon. We expect to be in a position to provide further information to our shareholders about significant initiatives in the coming weeks.”

The Company has also announced the departure of Dr. Sonia Sanhueza as Chief Operations Officer. The Company feels that it can be more efficient and further reduce its expenses by not continuing to have someone hold such a position at this time given the decision taken to not build its own custom manufacturing facility.

The Company’s consolidated financial statements and MD&A for the three and nine month periods ended June 30, 2009 are available on SEDAR at www.sedar.com and on the Company’s website at www.covalon.com.

**About Covalon Technologies Ltd.**

Covalon Technologies Ltd. researches, develops, patents and commercializes advanced medical products and technologies including advanced collagen wound care dressings and specialized medical device coatings. Polymer chemistry and surface coating technology have been combined to create a range of time-release drug delivery platforms that can be applied to medical devices to treat many critical conditions. Covalon’s products and technologies are licensed to other medical companies and distributors who incorporate them into their own product offerings and then sell them directly to hospitals, clinics and doctors.

For further information please contact:
Frank DiCosmo, Ph.D. - and - Peter Hobbes
President & Chief Executive Officer / Chief Financial Officer
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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.*