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Company COVOL Technologies, Inc.

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COVOL TECHNOLOGIES, INC.™

"Recycling yesterday's waste into tomorrow's resources."™

March 24, 1997

Dear Shareholder:

Covol Technologies Inc., a national leader in environmental recycling technology is experiencing many new opportunities and change. Several important and dramatic events have taken place since the last shareholder letter went out in September 1996. As President of Covol I wish to continue many of the goals and objectives of former management, especially the information forum of the Shareholder Letter.

On October 28, 1996, I was appointed by the Board of Directors of Covol, as President and CEO. I joined Covol in June 1996 as the Chief Financial Officer after working for the past twelve years as Director of Strategic Accounts for PacifiCorp. PacifiCorp, one of our strategic partners, is a $4.0 billion public utility company with the nation's largest open access, high voltage transmission system and over 2.5 million customers.

Highlights of the significant events that have taken place since late 1996 and during the first few months of 1997:

- An unregulated subsidiary of PacifiCorp signed a letter of intent on November 12, 1996, with Covol to purchase Alabama Synfuel #1. The facility will utilize Covol's patented technology and will produce synthetic fuel from coal fines in Birmingham, Alabama.

- Consistent with our strategy to sell these synthetic fuel facilities to strategic partners, Covol announced on March 11, 1997 the sale of Utah Synfuel #1 to AJG Financial Services, Inc. and Square D Company, the flagship brand of Groupe Schneider-North America and an industry-leading manufacturer electrical products and services, for an initial license fee of $1.4 million, a production goal fee of $1.1 million, a $3.5 million note for the sale of the facility and an earned license fee that should be approximately $7 million in total annual revenues if annual projected production levels are met.

- We began construction on Utah Synfuel #2 along side the Utah Synfuel #1 facility in Price, Utah to increase the capacity from 360,000 tons per year to 720,000.

- Before the end of the year, Covol entered into license arrangements with:

  -PacifiCorp Synfuel, LLC for six additional synthetic fuel processing facilities with annual capacity of 360,000 tons per year per plant

  -Pace Carbon Resources for four processing facilities with annual capacity of 500,000 tons per year per plant

  -AJG Financial Services, Inc. for four plants with annual capacity of 360,000 tons per year per plant

  retrofit of an existing briquetting facility

- In ... y entered into joint venture arrangements with:

  ies which have an average annual production

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3280 North Frontage Road • Lehi, Utah 84043 • 801-768-4481 Fax 801-768-4483

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  -AJG Financial Services, Inc. for four plants with annual capacity of 360,000 tons per year per plant

  -Savage Industries for one plant, which is a retrofit of an existing briquetting facility

- In addition, before December 31, 1996, the Company entered into joint venture arrangements with:

  -Savage Industries for two additional facilities which have an average annual production capacity of 200,000 tons per year

-AJG Financial Services, Inc. for a second 360,000 tons per year facility next to the existing line located in the Price, Utah plant

- Also, before the end of 1996, Covol entered into eight contracts to build facilities with an annual capacity of 360,000 tons per plant. Future agreements will license Covol's technology and provide binder material on a cost plus basis to each facility. We will explore other value added services such as operation of the plants and marketing the synthetic fuel.

Including existing lines, the contracts and agreements mentioned above, total 31 synthetic fuel processing facilities. In addition to moving ahead with these synthetic fuel facilities, Covol has made significant changes in senior management as well as on its Board of Directors

- On December 23, 1996, we announced Stan Kimball, formerly of Huntsman Corporation, as a new Board member and the new Chief Financial Officer for Covol.

- In order to continue to grow and expand as a company, we announced on February 20, 1997 the addition to our corporate staff of Harlan Hatfield, formerly a partner with the Seattle law firm of Oles, Morrison & Rinker, and Rob Eggett, a CPA who was working for Price Waterhouse as a Senior Manager in Houston before coming to Covol.

- Consistent with the forward looking changes in management, Alan Ayers and George Ford; both of whom will continue to work for Covol, resigned from the Board on February 14, 1997 to allow Covol to move to a Board with a majority of the Directors from outside the company.

- DeLance W. Squire, CPA, founder of Squire & Co.. and the Executive Director for the Commission for Economic Development in Orem, Utah, was appointed to the Board in December, 1996.

- Vern T. May, a former executive and chemical engineer, who spent 31 years with DOW Chemical Company was appointed to the Board in February.

- Max E. Sorenson, former Senior Vice President of Engineering and Technology of Geneva Steel was hired as a Vice President and member of Covol's Senior Management Team on March 21, 1997.

All of these activities demonstrate the progress that Covol has made in moving its technology from R&D into production and operation. Our strategic growth over the next year and a half will be based on getting these synthetic fuel plants built and into production. Clearly, our focus is on optimizing the relationships with each of our partners as we move ahead with each new facility. I want to emphasize the value that each of these partners bring to our company. Each new partner has contributed significantly in terms of their technical expertise, financial abilities and their entrepreneurial capabilities which have provided Covol the opportunity to grow as a company and move its unique technology forward.

MANAGEMENT CHANGES

I would like to express my appreciation to both Ken Young and Mike Midgley for their efforts in navigating the company through many significant changes. I know that it is largely through their leadership that Covol was able to work through many challenging issues and that through their commitment to the two limited partnerships, Covol was able to establish itself as an innovative and competitive company in the coal and iron recycling industries. I also want to welcome Stan Kimball, Harlan Hatfield, Rob Eggett and Max Sorenson to the Covol management team. Each of these men left significant positions with their respective companies to join us. Their contributions have already been felt. We look forward to their continued efforts as we move the company to the next levels of growth.

BOARD CHANGES

I want to thank Alan Ayers and George Ford for their time and service on Covol's Board of Directors. These two men worked very hard, both as members of management and the Board of Directors, to bring Covol to this point. George continues to play an extremely critical role with the Company in terms of R&D as well as assisting the production people in getting each plant up to full capacity. Alan's involvement in all aspects of Covol is extremely crucial as we take the Covol story to the investment community and as we sell the synthetic fuel plants to our strategic partners. Both of these gentlemen came off of the Board in order to make room for a predominant outside Board of Directors. We welcome the addition of DeLance Squire and Vern May and look forward to their experience and leadership skills as we continue to grow the company.

PARTNER PERFORMANCE

In addition to current construction announced in Utah and Alabama, we anticipate that additional construction will soon be announced. PacifiCorp should be giving notice to proceed on additional plants over the next few months. Savage Industries will complete the retrofit of their Mohave plant by early June and they should be producing synthetic fuel by that same date. Savage and Covol will also begin work on a Pennsylvania project over the next several weeks. Cobon is currently working on several projects in the Eastern United States and progress is being made to have their first synthetic fuel plant operational by July 1, 1997.

ECONOMICS OF THE FACILITIES

As you read the press releases and analyst's report which I have enclosed with this letter, please take the time to walk through the compelling economics associated with each incremental synthetic fuel processing plant. Whether it is a royalty arrangement, joint venture or wholly owned and developed Covol project, each of these plants brings with it an enormous source of revenue to the Company. For example, at the proposed level of 360,000 tons per year production level at the new Coaltech (formerly Utah Synfuel #1) plant in Price, Utah, the $7 million of total annual revenue is a clear indication why we as a management team are focused primarily on the coal application of Covol's technology.

WASHINGTON UPDATE

President Clinton's budget proposal for fiscal year 1998 included a provision to back-date the "placed in service" deadline for facilities under IRC Section 29 from July 1, 1998 to July 1, 1997. We have been very active with a coalition of companies and government officials in opposing this proposal. Our contacts have assured us that the provision will not be part of the final budget passed by Congress and that Covol can continue to develop its projects as scheduled. Please see the attached letter and materials.

COVOL'S STRATEGIC PLAN

Covol has developed and patented some of the most innovative technologies that the coal and steel industries have witnessed to date. The challenge of transforming from an R&D company into a full scale production and operation company is one that requires the best effort and commitment from each of us in the company. However, as we continue to grow and confront the challenges of the future I am very confident that we will realize our business goals and objectives. Our current management team is committed to increasing shareholder value with each incremental project that is completed. By diversifying our total plant potential through joint venture and royalty arrangements with our strategic partners we have provided Covol with the opportunity to have a much greater total capacity in terms of number of waste coal fines that can be remediated throughout the country. We will all continue to benefit from the various synergies that each partner brings to these projects. Furthermore, we continue to be guided by our mission statement of "Recycling yesterday's waste into tomorrow's resources." Covol is fundamentally an environmental company which will continue to introduce new and innovative technologies to the market place. As management we are focused on implementing these technologies profitably for our shareholders.

Sincerely,

Brent M. Cook

Brent M. Cook
President and CEO