

Salona Global Medical Device Corporation Announces Plans to Launch Intellectual Property Acquisition Unit; Complete Transaction with a Multi-Product, IP-Driven Medical Device Company with \$8,000,000 in 2020 Revenues

NOT FOR DISTRIBUTION IN THE UNITED STATES OR FOR DISSEMINATION OVER UNITED STATES
NEWSWIRES.

SAN DIEGO, CA – August 23, 2021 – Salona Global Medical Device Corporation (the “**Company**” or “**SGMD**”) (TSXV:SGMD) announced today a plan to launch an intellectual property (IP) business unit through a transaction with a business that has a portfolio of several revenue and royalty generating products ranging from wearable technology to products for physical stability as well as expertise in development and design of many medical devices it has innovated over the past several years (the “**Target**”).

The cash flow positive Target, which generated \$8,000,000 in revenues in 2020 with 50% gross margins, develops IP and designs cutting edge medical devices in very specific, targeted markets (such as the sports medicine industry) on behalf of niche, well-funded clients.

The Target captures value and revenue in one or more of the following ways:

1. Rights to the IP in markets the niche client does not address, namely broader global healthcare markets that SGMD does target;
2. Upfront payments and milestone bonuses for the development of the IP and the design of the product; and/or
3. Long-term, recurring royalty streams from the IP for the life of the patent from the commercially successful clients.

The Value of the Transaction to SGMD

The Company is focused on the IP value of the transaction and the near term downstream revenue potential in SGMD markets. As the Target generates revenue and cash flow by designing products and creating IP for its niche clients, it simultaneously gains the expertise applicable to specific medical device markets SGMD intends to serve. The key aspect of the Company’s proposed transaction is the commercialized expertise or IP rights the Target retains for products in markets their clients do not address, specifically certain global healthcare markets that SGMD targets, such as recovery medicine.

As an example, the Target developed and commercialized IP for a well-funded, niche client in a specific sports medicine market, and as part of the development agreement, the Target retained IP and marketing rights for SGMD’s market for general recovery medicine in the non-sports market. These are the types of growth opportunities SGMD looks to leverage with this transaction.

“We are pleased to be in a position to launch our IP acquisition business unit and become a fully integrated medical device company just a few months after listing,” said Les Cross, Chairman and interim CEO of SGMD. “As we have developed our deal pipeline, we often unearth not just companies for sale, but products and untapped IP we can transact adding to the assets we can leverage into our global sales channel. This is a great IP-driven medical device transaction with fantastic design expertise and IP that we could leverage globally in our target market. It has a treasure trove of design expertise and intellectual property. By reformulating the products at our facility, we aim to boost sales at increasing margins.”

Details of the Proposed Transaction

The transaction, as currently negotiated by both parties and subject to adjustments in advance of execution of a definitive agreement, is expected to be split 40% stock and 60% in cash. There is expected to be an initial payment of US\$3,500,000 followed by a payment expected in January 2023 of up to (1) US\$3,500,000, and (2) 6,383,954 common shares of SGMD based upon cash flow milestones. SGMD plans to finalize this transaction with existing cash on the balance sheet. (SGMD has approximately 63.8 million common shares outstanding, on partially diluted basis, including 19.162 million common shares of SGMD issuable pursuant to exchangeable shares of a subsidiary).

"With our previous announcement in July to acquire a company with a wide base of clinics in the U.S., we stand to benefit greatly with this proposed transaction as we aim to sell IP-driven products into that channel," continued Mr. Cross. "We are building a fully integrated company with a strategy of acquiring platform businesses that are already cash flow positive, and then improving our results through revenue enhancement and operational synergies. We look forward to finalizing agreements with both targets shortly and continue onto the next set of targets. Our M&A team is working diligently so we can meet our goal of frequent and accretive deals every quarter."

The Company and the Target executed a non-binding letter of intent on June 23, 2021 (the "LOI") and SGMD is finalizing a definitive agreement for the transaction with the Target.

The Company has posted its latest corporate presentation, along with a webcast led by Chairman & interim CEO Les Cross, at www.salonaglobal.com/investors.

For more information please contact:

Les Cross
Chairman of the Board and Interim Chief Executive Officer
Tel: 1 (800) 760-6826
Email: Info@Salonaglobal.com

Additional Information

There can be no assurance that the acquisition contemplated herein will be completed as proposed or at all. Completion of the acquisition contemplated is subject to a number of conditions, including but not limited to, negotiation and execution of a definitive agreement and completion of due diligence.

There can be no assurance that any of the potential acquisitions in advanced negotiations will be completed as proposed or at all and no definitive agreements have been executed. Completion of any transaction will be subject to applicable director, shareholder and regulatory approvals.

The securities referred to in this news release have not been, nor will they be, registered under the United States Securities Act of 1933, as amended, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons absent U.S. registration or an applicable exemption from the U.S. registration requirements. This news release does not constitute an offer for sale of securities for sale, nor a solicitation for offers to buy any securities. Any public offering of securities in the United States must be made by means of a prospectus containing detailed information about the company and management, as well as financial statements.

Unless otherwise specified, all dollar amounts in this press release are expressed in Canadian dollars.

Neither the TSXV nor its Regulation Services Provider (as that term is defined in the policies of the TSXV) accepts responsibility for the adequacy or accuracy of this release.

Certain statements contained in this press release constitute "forward-looking information" as such term is defined in applicable Canadian and United States securities legislation. The words "may", "would", "could", "should", "potential", "will", "seek", "intend", "plan", "anticipate", "believe", "estimate", "expect" and similar expressions as they relate to the Company, including: closing and timing of the proposed acquisitions; the transaction with the Target providing significant global growth opportunities to sell certain medical devices into markets served by SGMD; the terms and amounts of the final negotiated consideration/payments; the Company launching an IP business unit and becoming a fully integrated medical device company; the Company being able to leverage globally in its target market the design expertise of the Target; SGMD boosting sales and profits at great margins reformulating the Target's products at SGMD's facility for other segments of the healthcare market; the Company's acquisition strategy; the Company finalizing agreements with targets shortly and

continuing onto the next set of targets; the Company completing frequent and accretive deals every quarter; information relating to the business plans of the Company; the Company's acquisition strategy; and information with respect to future growth and growth strategies; are intended to identify forward-looking information. All statements other than statements of historical fact may be forward-looking information. Such statements reflect the Company's current views and intentions with respect to future events, and current information available to the Company, and are subject to certain risks, uncertainties and assumptions, including: the Company and a target being satisfied with due diligence; the Company successfully negotiating and executing definitive agreements for an acquisition; statements regarding anticipated revenue and positive cash of acquired companies; closing conditions being satisfied or waived; and the Company obtaining all requisite approvals for a transaction. Many factors could cause the actual results, performance or achievements that may be expressed or implied by such forward-looking information to vary from those described herein should one or more of these risks or uncertainties materialize. Examples of such risk factors include, without limitation: credit; market (including equity, commodity, foreign exchange and interest rate); liquidity; operational (including technology and infrastructure); reputational; insurance; strategic; regulatory; legal; environmental; capital adequacy; the general business and economic conditions in the regions in which the Company operates; the ability of the Company to execute on key priorities, including the successful completion of acquisitions, business retention, and strategic plans and to attract, develop and retain key executives; difficulty integrating newly acquired businesses; the ability to implement business strategies and pursue business opportunities; disruptions in or attacks (including cyber-attacks) on the Company's information technology, internet, network access or other voice or data communications systems or services; the evolution of various types of fraud or other criminal behavior to which the Company is exposed; the failure of third parties to comply with their obligations to the Company or its affiliates; the impact of new and changes to, or application of, current laws and regulations; granting of permits and licenses in a highly regulated business; the overall difficult litigation environment, including in the United States; increased competition; changes in foreign currency rates; increased funding costs and market volatility due to market illiquidity and competition for funding; the availability of funds and resources to pursue operations; critical accounting estimates and changes to accounting standards, policies, and methods used by the Company; the occurrence of natural and unnatural catastrophic events and claims resulting from such events; and risks related to COVID-19 including various recommendations, orders and measures of governmental authorities to try to limit the pandemic, including travel restrictions, border closures, non-essential business closures, quarantines, self-isolations, shelters-in-place and social distancing, disruptions to markets, economic activity, financing, supply chains and sales channels, and a deterioration of general economic conditions including a possible national or global recession; as well as those risk factors discussed or referred to in the Company's disclosure documents filed with United States Securities and Exchange Commission and available at www.sec.gov, and with the securities regulatory authorities in certain provinces of Canada and available at www.sedar.com. Should any factor affect the Company in an unexpected manner, or should assumptions underlying the forward-looking information prove incorrect, the actual results or events may differ materially from the results or events predicted. Any such forward-looking information is expressly qualified in its entirety by this cautionary statement. Moreover, the Company does not assume responsibility for the accuracy or completeness of such forward-looking information. The forward-looking information included in this press release is made as of the date of this press release and the Company undertakes no obligation to publicly update or revise any forward-looking information, other than as required by applicable law.