

**MISSISSAUGA, ONTARIO, September 17, 2004** - Prism Medical Ltd. ("Prism") (PM:TSX-VEN) today announced that it has completed its previously announced private placement of convertible subordinated debentures and that its previously announced acquisition of two privately owned United Kingdom based manufacturers of durable medical equipment has closed in escrow, pending delivery of the purchase price consideration to the vendors of those businesses. Prism expects to complete the payment of the purchase price consideration early next week.

On the completion of the acquisition Prism will acquire, through its wholly-owned Prism UK Medical Ltd. subsidiary, substantially all of the business assets of Freeway Healthcare and Tri care Developments, two privately owned United Kingdom based manufacturers of durable medical equipment, from their owner-managers. Freeway Healthcare and Tri care Developments are low cost innovative producers of high quality moving and handling products sold through a network of independently owned homecare dealers across the United Kingdom. Freeway Healthcare manufactures tubular metal welded products, including shower chairs. Tri care Developments manufactures ceiling and floor hoists. These products are complementary to those currently being sold by Prism's wholly-owned United Kingdom subsidiary, Westholme Limited. The engineering capabilities of the two businesses are complementary to those of Prism's other subsidiaries and will provide depth and breadth to Prism's research and development group. The acquisitions afford Prism the opportunity to accelerate its growth strategies and are anticipated to be immediately accretive to earnings.

The businesses to be acquired have been in operation since 1997. During the six month period ending January 31, 2004, the businesses had combined sales of approximately \$4,300,000, based on audited financial statements prepared by the former owner-managers. Freeway Healthcare's manufacturing facility is located in Abergele, Wales and Tri-Care Developments' manufacturing facility is located in Flintshire, Wales. These facilities will be leased from the former owner-managers of the businesses on arm's length terms.

The purchase price for the businesses will be satisfied, in part by issuing to the owner-managers 7% secured promissory notes with a principal amount of approximately \$5,190,000 and 750,000 common shares of Prism, with the balance of \$5,424,000 to be paid in cash.

The owner-managers of the businesses to be acquired, Clive Ecroyd and Peter Rogers, will enter into employment contracts with Prism UK Medical Ltd. They will continue to be responsible for the day to day management of the businesses, product quality and ongoing product design and innovation. They will also join an executive committee of senior managers from all of Prism's operating subsidiaries. Prism expects that Clive Ecroyd will join its board of directors following the acquisitions.

Prism has also completed the previously announced private placement of an aggregate of \$11,000,000 of 8% convertible subordinated debentures with a term of 7 years. The proceeds will be used by Prism to satisfy the cash portion of the purchase price for the businesses to be acquired, and the remainder will be used to provide working capital for those businesses and Prism's other businesses. The debentures are convertible into common shares of Prism at a conversion price of \$3.75 per share, subject to customary anti-dilution adjustments, and are secured by a pledge of the shares of PM Mercantile Group Inc. and Prism's key operating subsidiaries and a floating charge over Prism's assets. Prism's obligations under the debentures are guaranteed by PM Mercantile Group Inc. and its operating subsidiaries. The security ranks behind the security held by Prism's senior lenders and behind the security to be granted to the owner-managers of the businesses to be acquired for the promissory notes to be issued to them as part of the purchase price consideration for the acquisitions. The debentures provide that in

the case of certain material defaults, the holders will be entitled to elect to either (i) have the principal amount of the debentures repaid together with an amount equal to the aggregate remaining interest payments until maturity or (ii) convert their debentures into common shares and receive a payment equal to the aggregate remaining interest payments until maturity. The holders may not enforce the security under the debentures unless Prism fails to make such payments and the holders of a majority of the outstanding principal amount of the debentures approve the enforcement of the security. The private placement was approved in advance by a written resolution of holders of a majority of the outstanding common shares of Prism in accordance with the requirements of the TSX Venture Exchange.

\$5,450,000 principal amount of the debentures was purchased by Yellow Point Equity Partners Limited Partnership, a private equity investment firm located in Vancouver, British Columbia. Assuming the conversion of the entire principal amount of its debentures, Yellow Point would hold approximately 16.5% of Prism's common shares determined on a fully-diluted basis (assuming the conversion of all outstanding convertible securities and exercise of all outstanding options). \$1,400,000 principal amount of the debentures was purchased by one of Yellow Point's limited partners. In connection with their purchase of debentures, Yellow Point will have the right to elect to have an observer or nominee nominated or appointed to Prism's board of directors provided that together Yellow Point and its limited partner hold more than 50% of the outstanding aggregate principal amount of the debentures.

Clive Ecroyd and Peter Rogers each purchased \$750,000 principal amount of debentures. As a result of the common shares he will acquire on the acquisitions and the debentures he purchased, Clive Ecroyd will hold approximately 13% of the common shares of Prism (approximately 9%, determined on a fully-diluted basis, assuming the conversion of all outstanding convertible securities and exercise of all outstanding options). Directors, officers and insiders of Prism purchased in the aggregate \$1,800,000 principal amount of debentures. The balance of the debentures were purchased by other investors.

The acquisition of the United Kingdom businesses and the private placement of debentures has been approved by Prism's board of directors.

In its previous announcement, Prism indicated that directors, officers and insiders would be acquiring up to \$2,500,000 principal amount of debentures. This news release, containing the actual amount purchased by directors, officers and insiders, is being provided less than 21 days prior to the closing of the debenture transaction because the details relating to the participation of the directors, officers and insiders of Prism had not been previously settled.

About Prism

Prism is a holding company whose wholly-owned subsidiaries include Waverley Glen Systems Limited ("Waverley Glen"), North America's premier ceiling lift manufacturer with distribution across Canada and the United States and Westholme Limited, the largest distributor of moving and handling products in the United Kingdom. Ceiling lifts are considered a superior method to lift, reposition and transfer mobility impaired patients. Waverley Glen's portable and fixed ceiling products are sold in the homecare and institutional medical markets through specialized full service dealers.

Certain statements in this press release may constitute forward-looking statements. Such forward-looking statements involve risks, uncertainties and other factors, which may cause actual

results, performance or achievements of Prism to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements.

For further information, please contact:

John Charles  
Vice-Chairman  
Prism Medical Ltd..  
Tel: (905) 361-2444  
[jcharles@prismmedicaltd.com](mailto:jcharles@prismmedicaltd.com)

The TSX Venture Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of this press release.

Prism Medical Ltd.  
5995 Avebury Road, Suite 806  
Mississauga, Ontario L5R 3T8  
Tel: (905) 361-2444 Fax: (905) 361-2449  
[www.prismmedicaltd.com](http://www.prismmedicaltd.com)