

## Chief Executive Officer Letter

Dear Shareholders,

During late fiscal 2012, we terminated our exclusive distribution relationship with Henry Schein Inc. During the same time frame we reached an agreement with DenMat Holdings, LLC (“DenMat”) to assume the role of exclusive manager of LED’s global distribution strategy. The 2012 shift in alliance from Henry Schein to DenMat caused a temporary disruption to our activities in the marketplace. As a result of the transition in our sales and marketing activities to our new distribution partner in late 2012, the Company’s revenues as expected were lower in the first quarter of fiscal 2013 than the prior year. With the DenMat relationship transition now complete, we expect to see an aggressive sales and marketing program working at full pace by mid-2013 which is expected to result in increased future revenue. We have also experienced significant increased sales of our VELscope Vx product since March 31, 2013 and anticipate improved financial results for the second quarter of fiscal 2013 accordingly with the anticipation of increased future demand for our VELscope Vx product with increasing recurring consumable sales as our customer base increases. The DenMat relationship should allow the Company’s financial situation to improve significantly in the longer term by optimizing our sales and marketing efforts.

In addition to sales of the VELscope Vx, LED continues to roll out its newest venture: Second Step Laboratory Services, a streamlined oral pathology service tailored to fit the demands of busy dental clinics. Second Step Laboratory Services provides LED with a recurring revenue stream that grows organically from the expanding base of VELscope Vx users, and increases the value of overall patient care by allowing practices to efficiently diagnose the lesions they find.

The Company is also active in identifying and exploring new business opportunities on the “See and Treat” clinical pathway, particularly in regard to the detection and management of various types of cancer. Management continues to feel strongly that LED’s existing technology could form the basis of a low cost solution to help clinicians identify and resect cancerous skin lesions.

The Company has expanded the listing of its shares with listing on the OTC stock exchange in the United States and on the Frankfurt Stock Exchange in early 2013 reflective of LED becoming a global Company.

All balances are expressed in United States dollars unless otherwise stated and reflect the restatement of prior periods.

For the three months ended March 31, 2013, the Company reported revenues of approximately \$310,000 which is lower than the approximately \$1.4 million for three months ended December 31, 2012 and approximately \$1.0 million for the three months ended March 31, 2012.

Gross margins were 53% during the three months ended March 31, 2013, which was higher than the three months ended December 31, 2012 of 46% and 44% during the three months ended March 31, 2012. The Company’s margins vary depending on the mix of equipment versus disposables sales for any given period.

Core operating expenses (excluding stock-based compensation, deferred share unit compensation, mark to market adjustments on Canadian dollar denominated warrants and other operation expenses) for the three months ended March 31, 2013 of approximately \$802,000 were 10% higher than the three months ended December 31, 2012 but 43% lower than the three months ended March 31, 2012.

EBITDA for the three months ended March 31, 2013 was approximately (\$638,000) compared to approximately (\$84,000) for the three months ended December 31, 2012 and (\$961,000) for the three months ended March 31, 2012. The Company reported a net loss of approximately \$1.33 million for the three months ended March 31, 2013 compared to a net loss of approximately \$175,000 for the three months ended December 31, 2012 and approximately \$1.25 million for the three months ended March 31, 2012.

Cash was approximately \$607,000 with negative net working capital of approximately \$1.1 million as of March 31, 2013 compared to cash of approximately \$970,000 with negative net working capital of approximately \$97,000 as of December 31, 2012.

### **Business Highlights**

Notable developments and achievements in the first quarter of fiscal 2013 included the following:

- On January 9, 2013, the Corporation announced that it had completed the second tranche of an expedited non-brokered private placement of 1,300,000 Common Shares at an issue price of \$0.25 per share for gross proceeds of \$325,000. In combination with the first tranche, LED raised a total of \$1,162,500 and issued 4,650,000 common shares at \$0.25 per share. All of the securities issued in connection with the private placement are subject to a restricted period that expires four months after the issuance date. The proceeds will be used by LED to support product development, to purchase inventory and for working capital purposes.
- On January 9, 2013, the Corporation announced that its VELscope Vx enhanced oral assessment device will now be used by Chicago Otolaryngology Associates for oral mucosal abnormality assessment and when performing surgery on oral cancer patients.
- On January 23, 2013, the Corporation announced its Public Market Development and Communications Plan for 2013, designed to create a global understanding of its proprietary, patented technology platforms and their significant potential.
- On January 28, 2013, the Corporation announced that it had granted a total of 448,000 incentive stock options to consultants of the Company. Each stock option is exercisable to acquire one Common Share of the Company at \$0.40 per share and can be exercised for a 3 year term.
- On January 29, 2013, the Corporation announced that a recent scientific review in the highly respected publication, The Journal of the American Dental Association, underscores the need for adjunctive screening technologies to help detect oral cancer and pre-cancer in earlier stages.
- On February 19, 2013, the Corporation announced that its common shares are now officially quoted on the Frankfurt Stock Exchange in the open market segment via the symbol "LME".
- On February 25, 2013, the Corporation announced the appointment of Wayne Rees as Senior Vice President of its wholly-owned subsidiary, LED Dental Inc. ("LED Dental").
- On February 26, 2013, the Corporation announced that it began trading on the OTCQX International (symbol: "LEDIF"), a segment of the OTCQX® marketplace reserved for high-quality, non-U.S. companies listed on a qualified stock exchange in their home country. U.S. investors can find current financial disclosures and Real-Time Level 2 quotes for the company on [www.otcm Markets.com](http://www.otcm Markets.com).
- On March 6, 2013, the Corporation announced that it is expanding its investigation of the application of its tissue fluorescence visualization technology to the detection of skin cancer and other dermatologic diseases.
- On April 24, 2013, the Corporation, a strategic partner in Second Step Laboratory Services with PMI, is pleased to announce the results of an independent study published in "Oral Surgery, Oral Medicine, Oral Pathology, Oral Radiology" (Vol. 114 No. 3) that confirms the use of quantitative cytology ("QC") testing, as an adjunctive tool, successfully identifying high-risk potentially malignant disorders of the oral mucosa.
- On May 7, 2013, the Corporation cited a recent clinical study documenting the ability of its VELscope® Vx Enhanced Oral Assessment adjunctive technology to detect cancerous and pre-cancerous lesions that are missed by conventional exams.

From our leadership position in adjunctive screening for oral cancer, and as per previous comments in our annual report, we are expanding our product offerings of adjunctive screening technology for other cancers. We will continue to update you on these developments and our progress.

Sincerely,

A handwritten signature in black ink, appearing to read "P. Whitehead". The signature is fluid and cursive, with a large initial "P" and a trailing flourish.

Peter Whitehead  
Chief Executive Officer  
May 30, 2013