



Chief Executive Officer Letter

Dear Shareholders,

I joined LED Medical Diagnostics Inc. ("LED" or the "Company") as its Chief Executive Officer on October 10, 2013. As a dentist and imaging executive, I have followed the evolution of LED's flagship product, the VELscope®, since its inception. I was impressed by the quality of this product and the Company's ability to quickly achieve a leadership position in such an important, new, early stage market and further attracted by the possibility of leveraging the Company's technology and intellectual property in new, potentially lucrative, adjacent markets with minimal additional research and development investments.

But despite being positioned for future success, the Company has encountered some challenges along the way which inhibited the Company's growth potential, including a weakness in sales and marketing execution, a single distributor strategy and insufficient capital to fund working capital and investments in new products and services.

I'm excited to bring my experience and vision to LED in this regard and look forward to steering the Company to stability and a preferred future of active growth to become a leading player in the medical and dental imaging market.

Over the first half of 2014, the Company's goals are to:

- Strengthen its senior management team.
- Expand sales/marketing and operational infrastructure to Atlanta, Georgia to better service an expanding US Market.
- Grow the VELscope® foundation and internationalize the Company by opening multiple distribution channels.
- Build a high-value imaging Company by adding imaging products and services complementary to the VELscope® and the LED brand while creating both product diversity and additional revenue opportunities.

Thanks to newly appointed Vice President of Sales and Marketing, Lamar Roberts, the process is currently under way. I am very happy that Lamar agreed to join LED in a senior management role. I have worked closely with him at Carestream Dental for the past 10 years and have personally witnessed his sales and marketing leadership. He will bring tremendous value to LED and our previous working relationship will give the Company an integrated management team that will hit the ground running. Lamar's team has already gained the interest of a number of top tier dental distribution partners and our Atlanta office is now operational, giving us greater depth and access to the North American and International markets.

Financial Highlights

- Revenue decreased by 68% and 53% to \$911,387 and \$2,303,860 for the three and nine months ended September 30, 2013, respectively, compared to \$2,885,834 and \$4,922,760 over the same periods in the prior year. The Company has restated its prior year's revenue recognition for a distributor's agreement which had previously been recognized upon shipment to the distributor but has been revised to be recognized upon sell through to the end customer. The Company announced the termination of its distribution agreement with this distributor in September 2012 resulting in lower new product sales to this distributor by the Company in the three months ended September 30, 2012 during which this distributor experienced increased sales of its inventory to its end customers. Going forward, the Company expects to recognize revenue from the sale of its products to its distributors and not upon the related sell through to its distributors' end customers. During the three months ended September 30, 2013, the Company encountered lower sales over the prior quarter ended June 30, 2013 due to summer seasonality and its transition to a non-distribution strategy to increase its addressable market.
- EBITDA¹ decreased to (\$139,816) and (\$881,977) for three and nine months ended September 30, 2013, respectively, compared to \$811,255 and (\$644,630) over the same periods in the prior year.

¹ EBITDA or Earnings before Interest, Taxes, Depreciation and Amortization is a non-IFRS measure that does not have a standardized meaning and may not be comparable to a similar measure disclosed by other issuers. This measure does not have a comparable GAAP measure. EBITDA referenced here relates to operating loss and excludes amortization, depreciation, stock-based compensation, deferred share unit compensation and mark to market adjustments on Canadian dollar denominated warrants. Please refer to the reconciliation of EBITDA to reported financial results attached to this press release.

- Cash was \$973,410 with net working capital of \$741,493 as of September 30, 2013 compared to cash of \$1,718,435 with net working capital of \$972,183 as of June 30, 2013.
- All balances are expressed in United States dollars unless otherwise stated.
- Complete financial reports included Management's discussion and analysis of the financial results for the three and nine month periods ended September 30, 2013 are available at www.sedar.com and www.ledmd.com

Business Highlights

Notable business developments and achievements up to the reporting date included the following:

- On August 28, 2013, the Company announced that its VELscope® Vx Enhanced Oral Assessment System received the Pride Institute's "Best of Class" Technology Award for 2013. This is the third consecutive year the Company has received this award;
- On October 3, 2013, the Company announced that effective October 10, 2013, Dr. David Gane, was appointed as CEO;
- On October 24, 2013, the Company announced its appointment of Lamar Roberts as Vice President of Sales and Marketing;
- On October 28, 2013, the Company announced that it had received final approval of the TSX Venture Exchange and completed a non-brokered private placement of 15,000,000 units at an issue price of CDN\$0.35 per unit for gross proceeds of up to \$5.25 million;
- On October 29, 2013, the Company announced that it entered into a Canadian National Distribution Agreement with Sinclair Dental, effective September 15, 2013 for a period of one year, subject to the attainment of quarterly sales volume; and
- On November 5, 2013, the Company announced that its global distribution agreement for the VELscope® Vx product line between DenMat Holdings, LLC ("DenMat") and LED Medical Diagnostics' wholly owned subsidiary, LED Dental, Inc., is no longer an exclusive agreement for North America.

We start Q4 with a proven management team and a significant investment. It is anticipated that this will enable the Company to fund the execution of its renewed vision which will include significant investments in research and development and needed improvements in its sales and marketing infrastructure. I thank Peter Whitehead, as exiting CEO for his service and leadership. I'm confident in his abilities to provide new product development leadership as he transitions from his management role to concentrate on research, development, special projects and business opportunities for the Company. The Company has recently optimized its relationship with DenMat and is in the process of expanding its sales channels in North America and other Global markets. I believe strongly in our plan to diversify beyond the VELscope® by expanding our offering with the addition of complementary imaging products and services which we expect will contribute stability to the Company as well as revenue growth in 2014.

This past quarter, although challenging, is expected to be memorable as the catalyst for this important change in leadership and vision in the Company. I am energized to play such an important role at this important turning point in LED's future. I intend to make our stakeholders, employees and management team prouder than ever to be associated with LED.

Sincerely,

Dr. David Gane
Chief Executive Officer
November 20, 2013