



Chief Executive Officer Letter

Dear Shareholders,

Net revenues for the three months ended June 30, 2014 increased to \$1,590,289 largely due to the execution of our new non-exclusive distribution model for the VELscope Vx product line and early revenue contributions from our recently established digital imaging product line. The digital imaging division saw a growing pipeline for its products in Q2 which is expected to become a significant revenue contributor to our business from this point forward. The increased revenues in Q2 were offset by increased investment into the establishment of sales, marketing and support infrastructure as we continue to grow our newly established digital imaging products division.

Subsequent to June 30, 2014, Peter Whitehead, the Company's founder and past CEO has transitioned from his role as Chief Science Officer to become a consultant to the Company on VELscope strategy and future intellectual property creation. Although earlier this year the Company announced that it had incorporated Essentia Genetics Corp. to create and commercialize a risk assessment test for oral cancer, we have decided to place this new initiative on hold. This will allow us to focus our resources on growing the VELscope and our newly formed digital imaging business.

Over the balance of the year we will build upon our Board of Directors, management team and our portfolio of world class dental imaging products. We are also pleased to provide revenue guidance for fiscal 2014.

Significant Events

Notable business developments and achievements include the following:

Management Change

- On June 4, 2014, we announced that Mr. Wes Newsom and Ms. Joan Fiore joined the Atlanta based LED team in the role of director of product management for digital imaging and vice president of client services, respectively.
- On April 24, 2014, we announced that Mr. Tom Kearney, an industry leader with more than 30 years of experience, has joined the LED Imaging team and will assist with future endeavors in the orthodontic market and managing trade show activities for the dental and dental specialty markets.

Major Corporate Changes

- On April 3, 2014, we launched a new product division of LED Dental, "LED Imaging" and subsequently a new brand identity and company website to reflect our movement into the Digital Imaging product categories.

Product Highlights

- On May 14, 2014, our LED Imaging division introduced its new digital radiography intraoral sensor, the *LED IS100*. Designed with simplicity and versatility in mind, the LED IS100 intraoral sensor is a replacement for traditional dental film as it captures intraoral images of the teeth and supporting bone structures. The LED IS100 intraoral sensor is the third product to be added to LED Imaging's portfolio since the launch of the division on April 2, 2014.

Business Highlights

- On April 24, 2014, our LED Imaging division announced it is launching software to integrate with our growing portfolio of imaging technologies.
- On April 22, 2014, our LED Imaging division entered a partnership with the UT College of Dentistry. Through this partnership, students, residents and faculty at the University Of Tennessee Health Science Center College Of Dentistry will now have access to new, sophisticated oral and maxillofacial imaging technology. Residents and dental students will receive hands-on training with the RAYSCAN α – Expert dental imaging system, as part of their clinical training.
- On April 15, 2014, we announced our non-exclusive distribution partnerships with Atlanta Dental Supply Company and Nashville Dental, Inc. for distribution of our VELscope® Vx Enhanced Oral Assessment System and product line in the United States.
- On April 2, 2014, we announced that our LED Imaging division partnered with Ray Co. Ltd., a subsidiary of Samsung, to sell, install and provide support for the RAYSCAN α – Expert dental imaging system in the United States.

Financial Highlights

- Net revenues increased to \$1,590,289 for the three months ended June 30, 2014. This is an increase of 47% from the three months ended June 30, 2013. The increase in revenues is due to a newly established non-exclusive distribution model for the Company's VELscope Vx product line from a formerly exclusive Distribution relationship along with the new Digital Imaging product line.
- The operating loss for the three months ended June 30, 2014 was \$1,632,659 compared to the operating loss for the three months ended June 30, 2013 of \$375,919. Increased revenues for the three months ended June 30, 2014 were offset by increased investment into both sales and marketing resources with the Company establishing the infrastructure of its salesforce for the Digital Imaging division.
- EBITDA¹ was negative \$1,432,363 for the three months ended June 30, 2014 compared to EBITDA of negative \$103,864 for the three months ended June 30, 2013. The Company incurred an increased negative EBITDA for the three months ended June 30, 2014 primarily due to the sales and marketing efforts for the Digital Imaging products. Inclusive of the mark to market adjustment on the Canadian dollar denominated warrants, the Company's EBITDA would be positive \$346,281.
- Cash used in operations was \$1,971,575 during the three months ended June 30, 2014 compared to \$1,131,399 during the three months ended June 30, 2013. The increased usage of cash in operations was primarily due to the increased net loss offset by the mark to market adjustment on the Company's Canadian dollar denominated warrants and purchasing digital equipment inventory.

Financial Guidance for Fiscal Year 2014

The Company is providing guidance for the full fiscal year ending December 31, 2014 ("Fiscal 2014"). This guidance is intended solely to give investors an understanding of management's expectations for the full fiscal year in light of recent industry sales trends, seasonality of the business and recognition that much of the sales generated in the dental industry occur in the fourth quarter of Fiscal 2014. The guidance does not take into account, or give effect for, any events that are beyond the Company's reasonable control.

Full Fiscal Year Ending December 31, 2014

Net revenues

Quantitative Guidance

\$9.0M - \$11.0M

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 net loss and comprehensive loss and excludes interest, income taxes, depreciation, amortization, finder's warrants issuance costs, stock-based compensation, deferred share unit compensation, mark to market adjustments on Canadian dollar denominated warrants, foreign exchange gain or loss and other income. This measure does not have a comparable IFRS measure and is used by the Company to manage and evaluate the cash operating loss of the business.

We anticipate increasing sales of the digital imaging product portfolio in the latter part of Q3 and throughout Q4 of Fiscal 2014 due to seasonal buying patterns in the dental industry as a result of tax incentives for dental and medical health practitioners in the US. We look forward to potentially exceeding the Company's revenue guidance through greater than anticipated impact of the our marketing and tradeshow programs in addition to the receipt of more favorable terms from key suppliers while also expecting to manage our operating expenses in line with the Company's anticipated revenue growth.

Our excitement grows as our offices in Atlanta are nearing completion with a move in date mid-October, 2014. This will complete our transformation as a VELscope company to a multi-product dental technology provider. We look forward to the onset of the busy trade season ahead, especially Q4 where we expect most of our annual revenues to occur. I am proud of the progress made to date and we are welcome both the opportunities and challenges that lay before us as we continue to position the Company as a preeminent digital dental imaging leader.

Thank you for your interest in our Company, our products and our services.

Sincerely,

Dr. David Gane
Chief Executive Officer
August 26, 2014

Please refer to the risk factors and forward-looking statements included in Management's Discussion & Analysis filed by the Company on Sedar for the above reporting period on August 26, 2014.