**Chief Executive Officer Letter**

Dear Shareholders,

The dental market place for digital imaging technologies remains robust and is forecast for continued growth into the foreseeable future. Our core product offerings remain in high demand and we are well positioned to capitalize as the dental profession continues its transition to newer "must have" digital imaging technologies.

In execution of our strategic plan LED Medical Diagnostics recently announced the acquisition of Apteryx, Inc. ("Apteryx"), an Ohio based imaging software company for an aggregate purchase price of US$10.25 million. Through a combination of debt and equity the Company successfully raised gross proceeds totaling approximately C$14.4 million to make the acquisition. These two related transactions provided LED a needed re-capitalization of its business as well as the welcome addition of a profitable, high margin, software company that through a number of direct synergies is expected to transform and accelerate LED's core business. Apteryx is well-established and highly respected in the dental market.

I am excited to share that the integration of Apteryx is going well and that we are realizing on our high expectations that this business combination will result in a stronger, more diversified and self-reliant Company. We expect Apteryx to contribute significantly to revenue, EBITDA and cash flow growth this fiscal year and for the foreseeable future. In addition this acquisition provides LED with a very significant customer base, a comprehensive intellectual property and a patent protected software product portfolio expected to add additional high margin recurring revenue to our anticipated future sales.

LED experienced a decline in revenue in fiscal 2016 of $10.2 million from $13.1 million in the prior fiscal 2015 which is partially attributable to the Company experiencing cash constraints in late fiscal 2016 that hindered its ability to purchase inventory in order to capitalize on sales opportunities during the height of seasonality for capital equipment purchases in the US dental market. This was addressed by the Company's recent capitalization initiatives in early fiscal 2017. VELscope gross margins remained consistent and strong at 56% and the VELscope disposable revenues continues to grow. Blended gross margins in Q4 2016 were abnormally low due to lower margin imaging sales as a result of temporary year end competitive pricing pressures, and a significant year-end inventory adjustment in the period pertaining to cost of sales sold through fiscal 2016. In addition, our Management team was focused on executing the acquisition and related capitalization initiatives. Although we experienced revenue contraction in 2016, we have high expectations for sustained growth for 2017 and beyond for our core product offerings leveraging the synergies and high margin software portfolio of Apteryx.

## Fiscal 2016 Quarterly Business Highlights

On November 14, 2016, the Company announced the launch of the VELscope Vx Enhanced Oral Assessment System in China. The VELscope Vx is now available in China through Prospect Dentech making the expansion of its technology to a key emerging market in one of the world's largest economies.

On November 17, 2016, the Company announced the results of a study entitled "Accuracy of Autofluorescence in Diagnosing Oral Squamous Cell Carcinoma and Oral Potentially Malignant Disorders. A Comparative Study with Aero-Digestive Lesions"' was published on Nature.com. This study supports the role of Tissue Autofluorescence in Screening for Oral Cancer.

**Financial Highlights**

Net revenue for the three months ended December 31, 2016 was $1,865,430, which is a decrease of 67% from the three months ended December 31, 2015. This revenue decrease was due to cash constraints that prevented the Company from purchasing inventory and taking advantage of the high selling season in Q4.

The net loss before tax for the three months ended December 31, 2016 was $1,383,130 compared to the net loss before taxes for the three months ended December 31, 2015 of $1,122,544. The increase of operating loss is mainly attributable to lower revenue levels and deferred salary recognition for management.

Cash flow used in operations was $2,449,563 during the twelve months ended December 31, 2016 compared to cash flow used in operations of $5,078,306 during the twelve months ended December 31, 2015. There were inflows from financing for the twelve months ended December 31, 2016 of $1,457,079 as compared to $4,930,524 of cash inflows from the financing activities for the twelve months ended December 31, 2015.

The Company had cash of $874,567 and Net Working Capital deficit of $2,109,442 as of December 31, 2016. Net Working Capital is defined as total current assets less total current liabilities.

Our objective for the balance of 2017 is to successfully leverage our newly enhanced product portfolio and sales and marketing platform to capture increased market share while growing the Company and achieving profitability. We plan to focus our sales and marketing efforts on our newly acquired base of customers, the rapidly growing number of Dental Service Organizations as well as the dental specialist markets. The dental imaging market remains vibrant and strong and LED is in a better position with better prospects than ever before.

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

Sincerely,

Dr. David Gane
Chief Executive Officer
April 28, 2017

*Please refer to the risk factors and forward-looking statements included in the Company's Management's Discussion & Analysis for the year ended December 31, 2016 and for the three months ended December 31, 2016, respectively, filed by the Company on Sedar.*