



Chief Executive Officer Letter

Dear Fellow Shareholders,

I am pleased to report that we experienced significant revenue growth over the prior quarter with a solid financial performance culminating in breakeven EBITDA from operations during the three months ended June 30, 2017. The second quarter of 2017 represented the first full quarter of operations with Apteryx as a wholly owned subsidiary of LED. The integration is now essentially complete and the combined business is performing well, underscoring the importance of the acquisition and the positive impact we expect it to have on our future business growth. In Q2, we saw first-hand how well Apteryx can complement our product portfolio, contribute high margin revenue and extend our reach to a wider customer audience including Dental Service Organization (DSOs). DSOs now represent a significant and rapidly growing segment of the US dental market. We have experienced early success in this DSO market segment with our XV Web product, recently signing a significant agreement with a new DSO customer with several hundred practices that we expect will be a great LED customer for the foreseeable future.

Net revenue for the three months ended June 30, 2017 was USD \$3.7 million, a 77% increase in revenues from the three months ended March 31, 2017. EBITDA for the three months ended June 30, 2017 was USD (\$16,000). The increase in EBITDA over the previous quarter was primarily the result of a change in revenue mix including contributions from Apteryx and a higher blended gross margin of 56%. Net income increased to USD \$905,000 due in part to a gain in the fair market value of mark to market on the Canadian dollar denominated warrants.

I am also happy to report that the VELscope Vx recently received the prestigious Cellerant Best of Class Technology award for the 7th time. The VELscope Vx is the only dental device to do so in the history of the award.

Financial Highlights

- Net revenue for the three months ended June 30, 2017 was USD \$3.7 million which is a 77% increase in revenues from the three months ended March 31, 2017 and a 1% increase from the three months ended June 30, 2016.
- The net income before tax for the three months ended June 30, 2017 was USD \$905,000 compared to the net loss before taxes for the three months ended June 30, 2016 of USD \$1,083,000. The net income for the three months ended June 30, 2017 was attributed to the contribution margin of the Apteryx software product line and a gain in the fair market value of mark to market on the Canadian dollar denominated warrants.

- Cash flow used in operations was USD \$2.5 million during the six months ended June 30, 2017 compared to cash flow used in operations of \$1.5 million during the six months ended June 30, 2016. There were inflows from financing for the six months ended June 30, 2017 of USD \$13.6 million as compared to zero cash inflows from the financing activities for the six months ended June 30, 2016. The cash outflows from investing of USD \$10.2 million were attributed to the purchase of Apteryx, Inc. The Company had cash at June 30, 2017 of \$1,509,787.
- On July 7th 2017, the Company has agreed with the holders of its previously issued 13% senior secured debentures in the principal amount of CDN \$385,000 issued in July of 2016 (the “2016 Debentures”) to amend the 2016 Debentures by, among other things, extending the terms of the 2016 Debentures until February 10, 2019 and decreasing the interest rate thereof from 13% to 12%. As consideration for such amendments to the 2016 Debentures, LED has issued 391,666 common shares of the Corporation to the holders of the 2016 Debentures. The Company is issuing the common shares as loan bonuses in accordance with Exchange Policy 5.1 of the TSX Venture Exchange (the “TSX-V”). All securities issued in connection with the transactions are subject to a hold period expiring four months and one day after the closing date.

Revenues from the sale of software licenses, including recurring revenue from XV Web software as a service (SaaS) and software support and maintenance are expected to grow steadily as dentists move increasingly to cloud based image analysis and management, complementing our VELscope and imaging device business. This growing phenomenon is expected to fuel our growth into the foreseeable future while having the additional benefit of attenuating the Q4 sales seasonality that we have seen in the past on the imaging device side of the business. We continue to execute diligently on our growth plan as we prepare for the start of the trade show season and the heightened period of sales activity associated with the last four months of the year.

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

Sincerely,

Dr. David Gane
Chief Executive Officer
August 17, 2017

Please refer to the risk factors and forward-looking statements included in the Company's Management's Discussion & Analysis for the three months ended June 30, 2017 filed by the Company on Sedar.