LED MEDICAL DIAGNOSTICS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") has been prepared by management, in accordance with the requirements of National Instrument 51-102 *Continuous Disclosure Obligations* as of April 27, 2017 and should be read in conjunction with the audited consolidated financial statements and related notes of LED Medical Diagnostics Inc. ("LED" or the "Company") as at and for the three and twelve months ended December 31, 2017 (prepared in accordance with International Financial Reporting Standards or "IFRS"). All amounts are presented in United States dollars unless otherwise noted. All referenced materials as well as additional disclosures, including the Company's Annual Information Form ("AIF"), are available on SEDAR at www.sedar.com.

DISCLAIMER FOR FORWARD-LOOKING STATEMENTS

The following Management's Discussion and Analysis contains statements, which, to the extent that they are not recitations of historical fact, may constitute forward-looking information under applicable Canadian securities legislation. Such forward-looking statements or information includes financial and other projections as well as statements regarding the Company's future plans, objectives, performance, revenue, growth, profits, operating expenses or the Company's underlying assumptions and the Company's intention to expand its technology beyond dental applications including "costs of production", "capital expenditures", "costs and timing of the development of new products", "hedging practices", "currency exchange rate fluctuations", "requirements for additional capital", "government regulation of medical device operations" and "insurance coverage". Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "would", "could", "might" or "will be taken", "occur" or "be achieved" or the negative connotation thereof. Persons reading this Management's Discussion and Analysis are cautioned that such statements or information are only predictions, and that the Company's actual future results or performance may be materially different. Factors that could cause actual events or results to differ materially from those suggested by these forward-looking statements include, but are not limited to: economic conditions; dilution; limited history of profits and operations; operational risk; distributor risks; working capital; potential conflicts of interest; speculative investment; intellectual property risks; disruptions in production; reliance on key personnel; seasonality; management's estimates; development of new customers and products risks; stock price volatility risk; sales and marketing risk; competitors and competition risk; regulatory requirements; reliance on few suppliers; reliance on subcontractors; operating cost and quarterly results fluctuations; fluctuations in exchange rates; product liability and medical malpractice claims; access to credit and additional financing; taxation; market acceptance of the Company's products and services; customer and industry analyst perception of the Company and its technology vision and future prospects; technological change, new products and standards; risks related to acquisitions and international expansion; reliance on large customers; concentration of sales; international operations and sales; management of growth and expansion; dependence upon key personnel and hiring; the Company not adequately protecting its intellectual property; risks related to product defects and product liability; reliance on third party suppliers; future working capital investments in accounts receivable and inventory; credit terms from suppliers; and including, but not limited to, other factors described in the Company's reports filed on SEDAR, including its financial statements and this Management's Discussion and Analysis. In drawing a conclusion or making a forecast or projection set out in the forward-looking information, the Company takes into account the following material factors and assumptions in addition to the above factors: the Company's ability to execute on its business plan; the acceptance of the Company's products and services by its customers; the timing of execution of outstanding or potential customer contracts by the Company; the sales opportunities available to the Company; the Company's subjective assessment of the likelihood of success of a sales lead or opportunity; the Company's historic ability to generate sales leads or opportunities; and that sales will be completed at or above the Company's estimated margins. This list is not exhaustive of the factors that may affect the Company's forward-looking information. These and other factors should be considered carefully and readers should not place undue reliance on such forward-looking information. All forward-looking statements made in this Management's Discussion and Analysis is qualified by this cautionary statement and there can be no assurance those actual results or developments anticipated by the Company will be realized. The Company disclaims any intention or obligation to update or revise forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

OVERVIEW

LED was incorporated under the BCBCA on July 17, 2002 as 651192 B.C. Ltd. and changed its name to LED Medical Diagnostics Inc. on November 6, 2003. LED's head office is located at 580 Hornby Street, Unit 810, Vancouver, B.C. V6C 3B6. LED's registered and records office is located at 2500 – 700 West Georgia Street, Vancouver, B.C. V7Y 1B3. The Company is listed on the TSX Venture Exchange (TSX-V) under the trading symbol LMD.

As of the date of this report, LED has four wholly-owned subsidiaries, LED Dental (US) Ltd., which was incorporated on August 3, 2006 under the laws of Washington state, LED Dental Inc., which was incorporated on January 18, 2006 under the BCBCA, Essentia Genetics Corp., which was incorporated under the BCBCA on January 14, 2014 and Apteryx Inc. acquired on February 10, 2017 was incorporated under the laws of Ohio state.

General Development of the Business

LED's first product, the VELscope®, a patented hand held medical device for the early discovery of oral mucosal lesions has experienced wide spread adoption in the North American dental market and is the global market leader in this product category. In 2014, the Company established its US based operations in Atlanta, Georgia and began expansion and diversification of its imaging device portfolio with the launch of the Tuxedo intraoral digital sensor and through distribution agreements with select imaging device manufacturers including RAY America, the RAYSCAN extra oral radiographic imaging product line. In February 2017, LED acquired Apteryx Inc., an Ohio based dental imaging software company. Since the Apteryx acquisition LED has taken significant and progressive steps towards establishing itself as a leader in the development, sales and support imaging devices as well as dental imaging software including its XVWeb® software as a service (SaaS) product.

Description of the Business

LED has grown from a pre-commercial research and product development company to a niche software and technology solution provider for dentists and oral health care specialists. The Company's product portfolio is centered on a family of patented, open architected software applications which includes XVWeb® cloud based imaging software as a service, the Tuxedo intraoral digital radiographic sensor, the VELscope® oral assessment device and additional distributed imaging devices including the RAYSCAN line of extraoral imaging systems. The customer base of the Company's initial VELscope® product, along with the newly acquired customers from the February 2017 Apteryx acquisition provides a predictable pipeline and growth platform for lead generation for its imaging device and software business.

LED's sales and marketing is directed primarily within the North American market and is focused towards corporately owned group practices known as Dental Support Organizations (DSOs), government dental clinics and individual dental practices. LED markets its products and services, in conjunction with its distribution and general goodwill partners, both directly and through select dental distributor / resellers to its target market of end user dental professionals. Marketing activities include direct mail/e-mail campaigns, advertising in industry journals and trade magazines, the publication of white papers and posting on social media, multiple unrelated offsite activities at locations including the company's web sites, personal onsite office visits and inbound and outbound telephone calls. In limited cases, direct marketing activities are oriented towards convincing dental practitioners to attend an educational seminar, webinar or trade show event in which LED is a sponsor or participant.

LED believes that because of recent evolutions to its VELscope® device to include the iPod touch and the addition of the Apteryx software portfolio which can be localized to different languages, that LED has potential for continued expansion into international markets. LED also has had recent success in establishing indirect and direct partnerships with large dental distributors and other organizations and networks that provide goodwill marketing for the Company and its products at offsite locations. This is a cost-effective strategy that the company will look to continue in the future.

In February 2017, the Company acquired Apteryx Inc. providing the Company with a significant new base of customers, an expanded and strengthened IP portfolio, research and development software capabilities and a suite of patented digital imaging software. XVWeb®, XrayVision®, XVlite®, and DataGrabber represent Enterprise, Client Server and Software as a Service (SaaS) versions of the Apteryx Imaging portfolio. Once installed at a customer's site, Apteryx software allows the practice to interface with and deploy image acquisition devices from a wide range of hardware manufacturers. Through its data grabber and name grabber patented software utilities the software provides integration to most dental practice management software solutions. Apteryx's "open architecture" approach is unique in the dental industry where most competitive systems are "closed" proprietary systems. Apteryx competitive advantage of open compatibility with competitive imaging devices and integration with existing dental practice software which allows a practice to continue to use their existing imaging devices while enabling the addition of LED imaging device solutions which are optimized for Apteryx software allowing LED to successfully compete for the imaging device sales once Apteryx is installed at a customer's site. The ability to integrate with a wide range of devices and practice management software systems creates natural pull through on sales capabilities.

XVWeb® is a cloud based dental imaging software as a service (SaaS) solution that allows an individual practice or organization to capture and view their patient images securely from most web-enabled devices. Designed to work with existing imaging applications via secure TLS DICOM, XVWeb® allows the customer to store and retrieve images from a webpage or any DICOM-compatible imaging program over a secure connection. XVWeb® allows the entire imaging database to be securely accessible via any web-connected device including smart phone or tablet. XVWeb® allows our customers to scale down the size and expense of onsite servers, reducing hardware and IT maintenance costs by utilizing XVWeb® and cloud resources.

In addition, most 3rd party practice management systems can be bridged to XVWeb®, and many, communicate directly and seamlessly with XVWeb® as an embedded service for clinical image management, processing and analysis. Apteryx software products facilitate our customers and prospects transition to a complete digital imaging workflow via the provision of image capture, analysis, storage, data conversion and sharing functionalities.

The acquisition of Apteryx has strengthened the Company providing many unique synergies to its core business which we expect will result in a financially stronger and more diversified Company with less reliance on VELscope sales or sales of lower margin distributed devices. Currently Apteryx revenues are primarily from the sale of perpetual software licenses, software support services and a growing stream of recurring revenue from XVWeb® subscription software services to its customers. XVWeb® software platform add on subscription modules will follow, the first of which is XVWeb® 3D which will support 3D Cone Beam Computed Tomography (CBCT) and Stereolithography (STL) data sets. XVWeb® 3D has a planned release date of June 2018 and will be offered to all current XVWeb® customers.

The core of the digital imaging device line is the TUXEDO intraoral digital sensor used for acquiring low dose intra-oral radiographs. The Tuxedo sensor is optimized for use with Apteryx x\software as is the RAYSCAN α digital extra oral imaging device, which comes in panoramic, cephalometric and Cone Beam Computed Technology (CBCT) varieties, Market penetration of CBCT machines continues to expand through the general and dental specialty markets, allowing practitioners to visualize the patient radiographically in all three dimensions to better diagnose, treatment plan and treat their patients for specific dental treatments such as dental implant, orthodontic and orthognathic procedures, and intraoral cameras round out the imaging device portfolio.

The VELscope® was initially launched in 2006 with the VELscope® Vantage, and, in 2011, the VELscope®Vx. The VELscope®Vx is portable, rechargeable, and significantly more affordable than previous models. Its increased functionality and lower production costs improve LED's prospects as it expands into more countries and other healthcare markets. The VELscope® Vx hand piece emits a safe blue light into the oral cavity, which excites the tissue from the surface of the epithelium through to the basement membrane (where premalignant changes typically start) and into the stroma beneath, causing it to fluoresce. The clinician is then able to immediately view the fluorescence response to help detect abnormal tissue. The VELscope® has peer-reviewed clinical studies that support its use in helping discover occult oral disease. The services of LED and its partners are directed toward developing a professional outreach program with key university–based oral pathology, oral surgery, and oral medicine leaders worldwide to assist healthcare providers as the need arises. LED is positioned to facilitate the dissemination of new findings that address early detection based on fluorescence and other technologies. Currently over 50% of US dental colleges own at least one VELscope®. LED has sold over 15,000 VELscope devices since initial launch and supplies its VELscope customers with disposable VELcaps and VELcare customer support programs.

Products and Intellectual Property

LED's focus is on accelerating growth through its proprietary and patented products and technologies and aggregating a comprehensive imaging product portfolio in which intellectual property and barrier to entry are a central focus. LED has sought patent protection for its projects by filing one or more patent applications for each aspect of a device, system or method, that LED believes is both patentable and that justifies the costs of patent protection. LED intends to protect future developments in the same manner. LED maintains certain of its intellectual property as trade secrets. LED also has pursued and intends to pursue trademark, copyright and other intellectual property protection as it believes is warranted. Currently LED has over 30 US and foreign patents.

FORWARD-LOOKING COMPANY OBJECTIVES

The Company's objectives for the balance of 2018 are to grow EBITDA, net income and free cash flow by:

- Targeted growth of existing recurring and repeatable revenue streams from software subscription and maintenance and support, VELscope consumable products and VELcare services via traditional sales/marketing activities and strategic partnering opportunities
- XVWeb® SaaS customer acquisition campaign via traditional sales/marketing activities and strategic partnering opportunities for our software and imaging device offerings
- Expand XVWeb reseller partner program focused on partners that sell dental practice management solutions
- Launch of additional XVWeb modules, starting with XVWeb® 3D with June 2018 launch date.
- Continued growth of customer base and lead pipeline in the DSO space and in the government space through General Services Agency contract award to more efficiently sell LED/Apteryx products and services to federal government agencies
- Reduced focus on sale and support of 3rd party distributed imaging device products.
- Executing on operating expense reductions and operational optimizations made available by the evolving business

SIGNIFICANT EVENTS

- On November 30, 2017, the Company consolidated its common shares on a 10 for 1 basis. Upon completion of the consolidation LED had 37,914,636 shares issued and outstanding, reduced from 379,146,372. As a result, all common share, warrant and option information presented below has been retroactively adjusted on a 10 to 1 basis.
- On February 10, 2017, the Company acquired 100% of the common shares of Apteryx, Inc ("Apteryx") for aggregate consideration of US$10.7 million. The Company paid US$6.987 million in cash and issued 3,385,840 common shares of the company to the seller at CDN$0.80 representing US$2.1 million of value. An additional US$1.2 million of the purchase price will be paid in cash in tranches over 18 months. The final payment of US$450,000 will be paid in common shares of the Company or in cash at the Company's option, 24 months from closing.
- On February 10, 2017, the Company closed a series of financings related to the acquisition for gross proceeds of approximately CDN$14.4 million. The Company completed a private placement of 22,071,154 equity units of the Company (the "Equity Units") for gross proceeds of approximately CDN$13.2 million (US$10.1 million). The Equity Units were priced at CDN$0.60 per Equity Unit, each consisting of one common share and one-half of one common share purchase warrant, with each whole warrant being exercisable for a period of 24 months into one common share of LED at a price of CDN$1.00 per common share. Additionally, the Company issued 1,326,286 finder's warrants (the "Finders' Warrants") to an arm's length finder The Company also issued senior secured debentures with a principal amount of CDN$1,150,000 (US$ 875,857) maturing 24 months from the closing date. The debenture is attached with a 12% coupon and 244,375 common shares of the Company. The Company also issued 35,200 Finders' Warrants to an arm's length finder relating to the debentures.

- On March 8, 2017, the Company announced that a new X-ray imaging patent was issued to LED subsidiary Apteryx, Inc.
- On July 7, 2017, the Company agreed with the holder of its previously issued 13% senior secured debenture in the principal amount of CDN$385,000 issued July 2016 (the "2016 Debentures") to amend the 2016 debentures by extending the terms until February 10, 2019 and decreasing the interest rate from 13% to 12%. As consideration for such amendments to the 2016 Debentures, LED issued 39,167 common shares of the Company to the holders of the 2016 Debentures.
- On September 18, 2017, American Dental Partners selected LED Medical Diagnostics Inc's subsidiary Apteryx as their provider for cloud dental imaging software technologies. American Dental Partners will transition their entire network--nearly 300 US-based dental and specialty practices--to Apteryx's XVWeb cloud imaging technology within the next 12 months.
- On October 2, 2017, Dental Care Alliance Selected LED Medical Diagnostics as Preferred Imaging Technology Providers for dental imaging devices and software technologies. DCA is one of the United States' largest and oldest dental support organizations, with 265 affiliated practices across all dental specialties in 13 states.
- October 30, 2017, the Company issued senior secured debentures with a principle amount of CDN$2,500,000 (US$1,938,690), maturing 24 months from the closing date. The debenture is attached with a 12% coupon and 531,250 common shares of the Company. The Company also issued 88,800 finders' warrants to arm's length finder relating to the debenture.

Financial Highlights

- Net revenue for the year ended December 31, 2017 was $12,688,752, which is an increase of 25% from the year ended December 31, 2016. This revenue increase was primarily due to the acquisition of Apteryx and adding the software business to the Company's product line.

- Gross Margin for the year ended December 31, 2017 was $7,168,702 or 56% compared to the year ended December 31, 2016 of $2,478,766 or 24%. The increase in gross margin percentage is due to the addition of higher margin Apteryx software sales.

- Expenses (excluding stock-based compensation and depreciation and amortization) increased 25% due to the addition of Apteryx which resulted in an increase in research and development expenses and administrative costs such as professional fees, rent, and utilities.

- The net loss for the year ended December 31, 2017 was $2,495,015 compared to the net loss for the year ended December 31, 2016 of $5,373,273. The decrease in net loss is mainly attributable to higher margin Apteryx software products.

- Cash flow used in operations was $4,432,082 during the year ended December 31, 2017 compared to cash flow used in operations of $2,449,563 during the twelve months ended December 31, 2016. There were inflows from financing for the year ended December 31, 2017 of $12,791,305 as compared to $1,457,079 of cash inflows from the financing activities for the year ended December 31, 2016. The cash outflows from investing activities of $6,547,642 relates largely to the cash consideration on the purchase of Apteryx, Inc.

- The Company had cash of $2,425,468 and Net Working Capital deficit of $1,221,176 as of December 31, 2017. Net Working Capital is defined as total current assets less total current liabilities.

SELECTED QUARTERLY INFORMATION

The information in the tables below has been derived from the Company's unaudited interim condensed consolidated financial statements. The Company's quarterly operating results have varied substantially in the past and may vary substantially in the future. Accordingly, the information below is not necessarily indicative of results for any future quarter.

(in US$ '000's)	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Cash	$ 2,425	$ 1,120	$1,509	$ 2,905	$ 874	$ 341	$ 364	$ 1,185
Working Capital	(1,221)	(1,522)	(893)	(59)	(2,109)	(2,857)	(1,999)	(1,045)
Total Assets	14,857	14,093	14,378	15,094	2,669	2,857	3,307	7,178
Long-term financial liabilities	5,602	4,885	4,191	6,291	2,047	(80)	77	85
Shareholders' equity/(deficiency)	2,818	3,924	5,268	4,145	(3,887)	(2,598)	(1,744)	(702)

Historically, being in the dental supply industry and due to the timing of trade shows and client spending patterns, the Company's business has been seasonal in nature, with the fourth quarter typically representing the largest portion of annual sales and annual net earnings. Management expects such seasonality to be less of a factor going forward as with the addition of Apteryx product line, focusing on a recurring revenue model as well as selling to the DSO market and government agencies.

(in US$ '000's, except earnings per share)	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Revenues	$ 3,694	$ 3,192	$3,704	$ 2,098	$ 1,865	$ 2,489	$ 3,661	$ 2,153
Cost of goods sold	1,725	1,115	1,610	1,069	1,610	1,872	2,590	1,617
Gross margin	1,968	2,077	2,094	1,029	255	617	1,071	536
Expenses:								
Sales and marketing	1,574	1,194	1,104	983	776	988	1,436	1,555
Research and development	332	297	249	162	26	37	20	50
Administration	868	760	737	570	608	423	502	617
Operating Income (loss)	(806)	(174)	4	(685)	(1,155)	(831)	(887)	(1,686)
Other (income) expenses	59	(1,274)	(901)	402	228	(24)	196	366
Income tax expense	0	0	0	0	0	0	0	0
Net income (loss)	(865)	(1,448)	905	(1,087)	(1,383)	(855)	(1,083)	(2,052)
Net loss per share (basic and diluted)	0.00	0.00	0.00	0.00	(0.01)	(0.01)	(0.01)	(0.02)

See Financial Results section below for further discussion on the selected quarterly income statement information.

(Expressed in U.S. dollars, unless otherwise noted)

FINANCIAL RESULTS FOR THE THREE MONTHS ENDED DECEMBER 31, 2017

The following analysis of the results of operations for the three months ended December 31, 2017 includes comparisons to the three months ended September 30, 2017 and December 31, 2016.

Revenue

Revenue is derived from the sale of the Company's diverse product line of digital imaging software and hardware which includes the VELscope® product and related consumable products. Revenue is expressed net of sales and early payment discounts.

	Three months ended:		
	December 31, 2017	September 30, 2017	December 31, 2016
Total revenue	**$ 3,693,874**	$ 3,191,963	$1,865,430

Revenue increased 16% when comparing three months ended December 31, 2017 to September 30, 2017 and 98% compared to the three months ended December 31, 2016. The fourth quarter typically represents the highest portion of earnings for the Company due to the seasonality associated within the dental industry. The addition of the Apteryx product line enhanced total revenue when compared to the same period in 2016.

During the three months ended December 30, 2017, the Company had no customers that represent 10% or more of total revenue. During the three months ended September 30, 2017 and the three months ended December 31, 2016, revenue from customers which amounted to 10% or more of the Company's revenue was also nil.

Gross Margin[1]

The Company experienced the following gross margin for the periods outlined:

	Three months ended:		
	December 31, 2017	September 30, 2017	December 31, 2016
Revenue	**$ 3,693,874**	$ 3,191,963	$ 1,865,430
Cost of sales	**1,725,465**	1,114,974	1,610,643
Gross margin	**$ 1,968,409**	$ 2,076,989	$ 254,787
Percentage of revenue	**53%**	65%	14%

The Company earned gross margin for the three months ended December 31, 2017 of 53%, a decrease from the Company's gross margin for the three months ended September 30, 2017. The decrease in gross margin for Q4 compared to Q3 can be attributed to a higher portion of overall revenue from the VELscope® and Imaging product lines in Q4 (72% of overall revenue in Q4 vs 65% in Q3) compared to the revenue from higher margin Apteryx products (28% in Q4 vs 35% in Q3). The VELscope and Imaging product lines experience greater sales seasonality than Apteryx revenue which is more consistent over the course of the year. Gross margin for Q4 was additionally impacted by year-end adjustments made for inventory obsolescence.

[1] *Gross margin is a non-IFRS measure that does not have a standard meaning and may not be comparable to a similar measure disclosed by other issuers. Gross margin referenced here relates to revenue less cost of sales. This measure does not have a comparable IFRS measure and is used by the Company to manage and evaluate the operating performance of the Company.*

(Expressed in U.S. dollars, unless otherwise noted)

Expenses

	Three months ended:		
	December 31, 2017	September 30, 2017	December 31, 2016
Sales and marketing	**$ 1,574,457**	$ 1,193,760	$ 776,413
Research and development	**331,715**	297,043	25,542
Administration	**867,837**	644,859	607,921
Stock-based compensation	**307,616**	92,011	(10,206)
Depreciation and amortization	**748,873**	22,975	123,749
Total expenses	**$ 3,830,498**	$ 2,250,648	$ 1,523,419
As a percentage of revenue	**104%**	71%	71%

The increase in expenses for the three months ended December 31, 2017 as compared to the three months ended December 31, 2016 was primarily associated with the addition of the Apteryx business. This resulted in additional research & development expenses associated with the development Apteryx software products and a substantial amortization of acquired intangible assets which was booked entirely in Q4. Total expenses were also impacted by a higher stock-based compensation adjustment for 2017 compared to 2016 due to the issue options during the year to directors, officers, consultants and employees.

Sales and Marketing

	Three months ended:		
	December 31, 2017	September 30, 2017	December 31, 2016
Expenses	**$ 1,574,457**	$ 1,193,760	$ 776,413
Percentage of revenue	**43%**	37%	41%

Sales and marketing includes the cost for customer support activities. The increase in sales and marketing expenses in the three-month period ended December 31, 2017 over the three months ended December 31, 2016 was due to increased sales activities (such as attending trade shows) in the fourth quarter and the addition of Apteryx's customer support activities.

Research and Development

	Three months ended:		
	December 31, 2017	September 30, 2017	December 31, 2016
Expenses	**$ 331,715**	$ 297,043	$ 25,542
Percentage of revenue	**9%**	9%	1%

Research and development expenses relate primarily to salaries and related benefit costs and costs related to obtaining or maintaining regulatory approvals and development of Apteryx software technology. The Company is currently focused on developing complimentary products to align with the Company's VELscope® products as well as enhancing current and developing new Apteryx software products.

Administration

	Three months ended:		
	December 31, 2017	September 30, 2017	December 31, 2016
Expenses	**$ 867,837**	$ 644,859	$ 607,921
Percentage of revenue	**23%**	20%	33%

(Expressed in U.S. dollars, unless otherwise noted)

Administration expenses include executive and administrative staff salaries, facilities, rent, investor relations, insurance, accounting and legal fees as well as general administrative costs. Administration expenses as a percentage of revenue reduced compared to the previous quarter ended September 30, 2017 and compared to the corresponding quarter ended December 31, 2016. This result is partly attributed to the ongoing economies of scale benefits achieved through the addition of the Apteryx business which reflects the ability of the Company to generate a higher level of sales output whilst maintaining a relatively consistent base of administration expenses to support these sales. The Company expects this trend to continue in the foreseeable future.

Stock-based compensation

	Three months ended:		
	December 31, 2017	September 30, 2017	December 31, 2016
Expenses	**$ 307,616**	$ 92,011	(10,206)
Percentage of revenue	**8%**	3%	-1%

Stock-based compensation expenses increased for the three months ended December 31, 2017 compared to the three months ended September 30, 2017 due to an annual adjustment for the 2017 option grant.

Depreciation and amortization

	Three months ended:		
	December 31, 2017	September 30, 2017	December 31, 2016
Expenses	**$ 748,873**	$ 22,975	123,749
Percentage of revenue	**20%**	1%	7%

Depreciation and amortization expense for the three months ended December 31, 2017 increased compared to the three months ended September 30, 2017 and the three months ended December 31, 2016 due to the amortization of intangible assets acquired with the Apteryx business. These intangible assets include acquired software technology, customer base, patents and brand; all of which are being amortized over 10 years, being the estimated useful life of these intangible assets.

Other (Income) Expenses

	Three months ended:		
	December 31, 2017	September 30, 2017	December 31, 2016
Change in fair value of Canadian dollar denominated warrants	**$ (1,203,960)**	980,410	-
Foreign exchange (gain) loss and other (gain) loss	**15,955**	149,143	(60,007)
Interest expense	**190,490**	144,501	174,505
Total other operating (income) expenses	**$ (997,515)**	$ 1,274,054	$ 114,498

During the three months ended December 31, 2017, other operating expenses decreased from the three months ended December 31, 2016 due to the gain in the fair value of the Canadian dollar denominated warrants, offset by a stronger Canadian dollar creating a foreign exchange loss and increased interest expense associated with Canadian dollar denominated debentures issued in February 2017 and October 2017.

(Expressed in U.S. dollars, unless otherwise noted)

Net Loss and Comprehensive Loss

	Three months ended:		
	December 31, 2017	September 30, 2017	December 31, 2016
Net loss and comprehensive loss for the period	**$ (864,574)**	$ (1,447,713)	**$ (1,383,130)**
Loss per share - basic and diluted	**$ (0.03)**	$ 0.00	**$ (0.10)**

Net loss for the three months ended December 31, 2017 decreased over the three months ended December 31, 2016 primarily due to the addition of the high gross margin Apteryx products.

SELECTED ANNUAL INFORMATION

	Year ended December 31, 2017	**Year ended December 31, 2016**	**Year ended December 31, 2015**
Revenue	**$ 12,688,752**	$ 10,168,896	$ 13,135,007
Operating income (loss)	**(3,058,072)**	(5,114,465)	(5,199,974)
Net Loss and comprehensive loss for the year	**(2,495,015)**	(5,373,272)	(5,175,899)
Loss per common share (basic and diluted)	**(0.08)**	(0.47)	(0.57)
Distributions/cash dividends declared	**-**	-	-

As at	**December 31, 2017**	**December 31, 2016**	**December 31, 2015**
Total assets	**14,856,964**	2,669,908	$ 9,912,587
Total non-current financial liabilities	**5,601,585**	2,048,024	87,411

See Financial Results section below for discussion on Revenue and Net Loss for the year. The decrease net loss for December 31, 2017 to December 31, 2016 was due to the addition of revenues from the newly acquired Apteryx product line.

FINANCIAL RESULTS FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2017

The following analysis of the results of operations for the twelve months ended December 31, 2017 includes comparisons to the twelve months ended December 31, 2016.

Revenue

Revenue is derived from the sale of the Company's VELscope® product, related consumable products which are disposal components for singular use of the VELscope® product, our digital imaging product line and the Apteryx imaging software. Revenue is expressed net of sales and early payment discounts.

	Twelve months ended:	
	December 31, 2017	December 31, 2016
Total revenue	**$ 12,688,752**	$ 10,168,896

(Expressed in U.S. dollars, unless otherwise noted)

The Company is subject to seasonality with the North American summer months typically being slower and sales activity picking up in the winter months as US dental practices make year-end capital equipment purchases. Revenue increased 25% when comparing the twelve months ended December 31, 2017 to the twelve months ended December 31, 2016 due to the addition of the Apteryx revenue line to the business; however, the Company achieved lower than expected sales from its digital imaging products during the year-end height of seasonality for capital purchases in the US dental market.

During the twelve months ended December 31, 2017 and December 31, 2016, the Company had no customers that represent 10% or more of total revenue.

Gross Margin[2]

The Company experienced the following gross margin for the periods outlined:

	Twelve months ended:	
	December 31, 2017	December 31, 2016
Revenue	**$ 12,688,752**	$ 10,168,896
Cost of sales	**5,520,050**	7,690,130
Gross margin	**7,168,702**	2,478,766
Percentage of revenue	**56%**	24%

The Company earned gross margin for the twelve months ended December 31, 2017 of 56% compared to 24% for the twelve months ended December 31, 2016. This result was achieved due to the addition of high gross margin Apteryx software products to complement the existing VELscope® and digital imaging product lines.

Expenses

	Twelve months ended:	
	December 31, 2017	December 31, 2016
Sales and marketing	**$ 4,855,988**	$ 4,742,093
Research and development	**1,039,827**	132,097
Administration	**2,861,091**	2,150,282
Stock based compensation	**628,280**	220,148
Depreciation and amortization	**841,588**	348,612
Total expenses	**$ 10,226,774**	$ 7,593,232
As a percentage of revenue	**81%**	75%

The increase in expenses as a percentage of revenue for the twelve months ended December 31, 2017 as compared to the twelve months ended December 31, 2016 was primarily due to the addition of Apteryx employee and facility costs, the amortization of intangible assets acquired as a result of purchasing Apteryx and additional stock-based compensation from options granted.

Sales and Marketing

	Twelve months ended:	
	December 31, 2017	December 31, 2016
Expenses	**$ 4,855,988**	$ 4,742,092

[2] Gross margin is a non-IFRS measure that does not have a standard meaning and may not be comparable to a similar measure disclosed by other issuers. Gross margin referenced here relates to revenue less cost of sales. This measure does not have a comparable IFRS measure and is used by the Company to manage and evaluate the operating performance of the Company.

(Expressed in U.S. dollars, unless otherwise noted)

Percentage of revenue	**38%**	47%

Sales and marketing includes the cost for customer and support activities. Sales and marketing expenses as a percentage of revenue increased for the twelve months ended December 31, 2017 compared to December 31, 2016 due to the increased sales activities such as trade shows offset somewhat by the increase in less sales intensive revenue streams such as the Apteryx software product line.

Research and Development

	Twelve months ended:	
	December 31, 2017	December 31, 2016
Expenses	**$ 1,039,827**	$ 132,097
Percentage of revenue	**8%**	1%

Research and development expenses relate primarily to salaries and related benefit costs and costs related to obtaining or maintaining regulatory approvals. Most of the head count expenses associated with the Apteryx products are recognized as part of research and development expenses due to the nature of the software products, which require ongoing development initiatives. The Company continues to pursue other research and development activities for products to complement the existing VELscope ® and imaging product lines.

Administration

	Twelve months ended:	
	December 31, 2017	December 31, 2016
Expenses	**$ 2,861,091**	$ 2,150,282
Percentage of revenue	**23%**	21%

Administration expenses include executive and administrative staff salaries, facilities, investor relations, insurance, accounting and legal fees as well as various general administrative costs. Administration expenses for the twelve months ended December 31, 2017 compared to the twelve months ended December 31, 2016 remained consistent relative to a percentage of revenue. This is despite some additional one-off transaction cost relating to Apteryx acquisition. Going forward, it is anticipated that administration expenses will lower as a % of revenue as business operations streamline.

Stock-based compensation

	Twelve months ended:	
	December 31, 2017	December 31, 2016
Expenses	**$ 628,280**	$ 220,148
Percentage of revenue	**5%**	2%

Stock-based compensation expenses increased for the twelve months ended December 31, 2017 compared to the twelve months ended December 31, 2016 due to the amount of the options granted in 2017 compared to 2016's option grant.

Depreciation and amortization

	Twelve months ended:	
	December 31, 2017	December 31, 2016
Expenses	**$ 841,588**	$ 348,612
Percentage of revenue	**7%**	3%

(Expressed in U.S. dollars, unless otherwise noted)

Depreciation and amortization expenses increased for the twelve months ended December 31, 2017 compared to the twelve months ended December 31, 2016 due to the amortization of intangible assets acquired with the Apteryx business. These intangible assets include acquired software technology, customer base, patents and brand; all of which are being amortized over 10 years, being the estimated useful life of these intangible assets. Amortization of intangible assets totaled $730,713 for the year ended December 31,2017.

Other (Income) Expenses

	Twelve months ended:	
	December 31, 2017	December 31, 2016
Change in fair value of Canadian denominated warrants	**(1,593,244)**	-
Foreign exchange (gain) loss and other (gain) loss	**439,145**	(22,353)
Interest expense	**591,042**	281,160
Total other operating (income) expenses	**$ (563,057)**	$ 258,807

During the twelve months ended December 31, 2017, other operating (income) expenses decreased from the twelve months ended December 31, 2016 due to a favorable effect from the mark-to-market adjustment on the Canadian denominated warrants offset by higher interest expense from additional debentures issued in 2017 and late 2016. Foreign exchange loss for the 12 months is largely due to Canadian denominated debentures and the Canadian dollar strengthening against the US dollar

Net Loss and Comprehensive Loss

	Twelve months ended:	
	December 31, 2017	December 31, 2016
Net loss and comprehensive loss for the period	**$ (2,495,015)**	$ (5,373,272)
Loss per share - basic and diluted	**$ (0.08)**	(0.47)

Net loss for the twelve months ended December 31, 2017 decreased from the twelve months ended December 31, 2016 due to higher sales revenues and margins offset additional staffing and overhead costs resulting from the acquisition of Apteryx. Non-operating expenses such as interest, changes in the fair value of warrants and amortization of acquired intangibles also impacted the net loss for the Company.

LIQUIDITY AND CAPITAL RESOURCES

The Company finances its operations and capital expenditures through cash generated from operations and debt and equity financings. As at December 31, 2017, the Company had cash of $2,425,468 and Net Working Capital deficit of $1,221,176 as compared to cash of $874,567 and net working capital of $2,109,442 as at December 31, 2016.

	Twelve months ended:	
Cash (used in) provided by:	**December 31, 2017**	December 31, 2016
Operating activities	**$ (4,432,082)**	$ (2,449,563)
Investing activities	**(6,547,642)**	(117,668)
Financing activities	**12,791,305**	1,457,079
Foreign exchange effect on cash	**(260,680)**	(2,690)
Net increase (decrease) in cash	**$ 1,550,901**	$ (1,112,842)

(Expressed in U.S. dollars, unless otherwise noted)

Cash used in operating activities for the twelve months ended December 31, 2017 was attributable to the Company's net loss, decreases in trade payables, increase in accounts receivable, prepaid expenses and inventory offset by higher deferred revenues.

The investing activities for the twelve months ended December 31, 2017 were due to purchase of Apteryx and some computer equipment.

The financing activities during the twelve months ended December 31, 2017 relate to the proceeds from private placement and debenture financing relating to the acquisition of Apteryx in February and additional debenture financing in October.

The Company has US$5.9 million of debentures and unpaid interest outstanding at December 31, 2017 of which US$2.2 million is payable over the next 12 months and another US$1.2 million due in early 2019. The Company also has US$1.65 million in deferred cash consideration for the Apteryx acquisition outstanding at December 31, 2017 of which US$1.2 million is due within the next 12 months. The final payment of $450,000 is due February 10, 2019 and can be either cash or share consideration at the Company's discretion. The Company's forecasted future cash flows are not adequate to meet its debenture, deferred consideration and interest payment obligation over the next 12 months. Historically, the Company has relied on equity and debt financings to fund its operating losses. Although the Company has a good track record for raising financing there is no guarantee it will be successful in its efforts to raise additional financing or if financing is available, that it will be on terms that are acceptable to the Company.

STAFFING LEVELS

The following table summarizes the Company's headcount, by functional group:

	As at December 31, 2017	As at September 30, 2017	As at December 31, 2016
Sales and marketing	20	19	12
Support	23	23	10
Research and development	10	10	1
Administration	6	6	5
Total	**59**	**58**	**28**

COMMITMENTS

The Company continues to have no bank debt, off-balance sheet financing arrangements or capital leases. The Company has leased facilities in Canada and the USA. Minimum lease payments as of December 31, 2017 are $1,059,767.

INTANGIBLE ASSET IMPAIRMENT

The Company has no impaired intangible assets.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

(Expressed in U.S. dollars, unless otherwise noted)

TRANSACTIONS WITH RELATED PARTIES

Related parties include key management, the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

During the twelve months ended December 31, 2017 and 2016 respectively, the Company paid or accrued the following compensation expenses to key personnel of the Company:

	Twelve months ended:	
Cash used in:	**December 31, 2017**	December 31, 2016
Short-term compensation	**$ 915,948**	$ 802,221
Share-based payments	**$ 297,101**	$ 187,548

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's management makes judgments in its process of applying the Company's accounting policies in the preparation of its condensed interim consolidated financial statements. In addition, the preparation of the financial data requires that the Company's management make assumptions and estimates of the impacts from uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period, and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates, as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting impacts on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. The critical judgments and estimates applied in the preparation of the Company's condensed interim consolidated financial statements for the three months and twelve months ended December 31, 2017 are consistent with those applied and disclosed in note 3 to the Company's audited consolidated financial statements for the year ended December 31, 2017.

New Standards and Interpretations Not Yet Effective

Standards issued but not yet effective up to the date of issuance of the Company's consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company is currently assessing the impact of the following standards on the consolidated financial statements and intends to adopt these standards when they become effective.

IFRS 9 – Financial Instruments

IFRS 9 - Financial Instruments replaces the current IAS 39 Financial Instruments Recognition and Measurement. The standard introduces new requirements for classifying and measuring financial assets and liabilities. The Company will start the application of IFRS 9 in the financial statements effective from January 1, 2018.

(Expressed in U.S. dollars, unless otherwise noted)

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 – Revenue from Contracts with Customers replaces all existing revenue requirements in IFRS and applies to all revenue arising from contracts with customers. The standard outlines the principles an entity must apply to measure and recognize revenue. The core principle is that an entity will recognize revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 will be applied using a five-step model:

1) Identify the contract(s) with a customer;

2) Identify the performance obligations in the contract;

3) Determine the transaction price;

4) Allocate the transaction price to the performance obligations in the contract; and

5) Recognize revenue when (or as) the entity satisfies a performance obligation

The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Company will start the application of IFRS 15 in the financial statements effective from January 1, 2018.

IFRS 16 – Leases

IFRS 16 – Leases will replace IAS 17 Leases. The new standard specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	Twelve months ended:	
Cash and cash equivalents	**December 31, 2017**	December 31, 2016
Cash	**$ 2,425,468**	$ 874,567
Receivables	**1,578,371**	799,339
Total	**$ 4,003,839**	$ 1,673,906

Financial liabilities included in the statement of financial position are as follows:

	December 31, 2017	December 31, 2016
Derivative liability at fair value through profit or loss:	-	-
Warrants	**$ 1,372,122**	-
	$ 1,372,122	-

(Expressed in U.S. dollars, unless otherwise noted)

	December 31, 2017	December 31, 2016
Other financial liabilities:		
Trades payable and accrued liabilities	**$ 2,191,815**	$ 3,534,972
Deferred revenues	**892,570**	309,531
Debenture	**5,871,293**	2,623,542
Deferred Consideration on acquisition	**1,650,000**	-
	$ 10,605,678	**$ 6,468,045**

Fair value

The fair value of the Company's financial assets and liabilities approximates their carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly;
- Level 3 – Inputs that are not based on observable market data.

As at December 31, 2017, the Company no longer measures any assets at an estimated fair value.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risks arising from its cash and restricted cash and receivables. The Company manages credit risk by placing cash with major Canadian financial institutions. With respect to receivables, the Company performs ongoing credit evaluations of its customers' financial condition.

The Company monitors collectability of receivables on an on-going basis to determine credit risk. In order to mitigate credit risk, the Company offers credit terms to established customers. Other customers are required to pay in advance or by credit card, prior to shipping of the product. At December 31, 2017, any accounts receivable due beyond one year have been provided for in the allowance for doubtful accounts.

As at December 31, 2017 and December 31, 2016, the Company's exposure to credit risk for these financial instruments was as follows:

	Twelve months ended:	
Credit risk	**December 31, 2017**	**December 31, 2016**
Cash	**$ 2,425,468**	$ 874,567
Receivables	**1,578,371**	799,339
Total	**$ 4,003,839**	$ 1,673,906

(Expressed in U.S. dollars, unless otherwise noted)

Trade accounts receivable as at December 31, 2017 and December 31, 2016 were aged as follows in the below table.

	Twelve months ended:	
Accounts receivable aging	**December 31, 2017**	December 31, 2016
Current	**$ 1,051,142**	$ 540,537
31 - 60 days	**184,460**	72,646
Over 60 days	**322,112**	142,075
Total accounts receivable	**$ 1,557,714**	$755,258
Goods and services tax receivable	**20,657**	34,738
Total Accounts Receivable less taxes receivable	**$ 1,578,371**	$ 789,996

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company manages its liquidity risk associated with its financial liabilities through the use of cash flow generated from operations, and the issuance of additional equity primarily through private placements, as required to meet the payment requirements of maturing financial liabilities.

The contractual maturities of the Company's trade payables as at December 31, 2017 are listed below.

Trade payables were aged as follows as at December 31, 2017 and December 31, 2016 and does not include accrued liabilities, warranty provision and state and provincial sales tax payable of which are all current:

	Twelve months ended:	
Accounts payable aging	**December 31, 2017**	December 31, 2016
Current	**$ 440,118**	$221,101
31 - 60 days	**34,752**	164,082
Over 60 days	**286,841**	2,179,319
Total	**$ 761,710**	$ 2,564,502

The following is an analysis of the contractual maturities of the Company's non-derivative accrued liabilities as at December 31, 2017:

Contractual Maturities	**Within one year**	**Between one and five years**
Trades Payable and Accrued liabilities	$ 2,191,815	$ -
Deferred Revenue	892,570	-
Debenture	2,152,841	3,718,452
Deferred consideration on acquisition	1,200,000	450,000
Total	**$ 6,437,226**	**$ 4,168,452**

The ability of the Company to make the aforementioned payment requirements related to maturing financial liabilities in the near term is dependent on the ability to secure additional financing and the timing of cash flows from operations. The ability to obtain additional financing is dependent on continued access to debt and/or equity markets, which may not be available on acceptable terms. In the event that debt or equity capital is not available on acceptable terms, the Company may need to explore other strategic alternatives.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is limited to the portion of the Company's cash held in bank accounts that earn interest.

Due to the limited and short-term nature of these financial instruments, fluctuations in the interest rates will not have a significant impact on their fair value. As at December 31, 2017, the Company had not entered into any derivative contracts to manage this risk.

Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and the United States. The Company's functional currency is the U.S. dollar. The Company has not hedged its exposure to currency fluctuations.

Assuming that all other variables remain constant, a 10% change in the value of the Canadian dollar against the U.S. dollar would not materially affect the loss from operations.

DISCLOSURE OF OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares, without par value and an unlimited number preference shares without par value. As of the date of this MD&A, the Company has 37,914,636 common shares outstanding and no preference shares outstanding.

The Company has instituted a rolling incentive stock option plan whereby shares reserved for issuance under the plan shall reflect 10% of the issued and outstanding common shares of the Company from time to time. As of December 31, 2017, the Company is entitled to grant incentive stock options for 3,791,464 common shares under the Company's stock option plan with a total of 3,237,002 options being issued and outstanding and has issued 36,000 deferred share units under the Company's Deferred Share Unit Plan. The Company also had 12,485,839 warrants outstanding.

SUBSEQUENT EVENTS

On January 4, 2018, the Company appointed James Topham to the board of directors of LED and as Chair of its Audit Committee. On the same date, the Company also announced that Rodger Tourigny had resigned from the board of directors.

On April 20, 2018, the Company settled a claim with a former contractor for prior period unpaid services. The total settlement of CDN$75,000 (US$59,650) has been accrued as an administration expense in the financial statements for the year ended December 31, 2017.

On April 24, 2018, the Company entered into an amending agreement (the "Amending Agreement") which extends the terms of the February 10, 2017 Apteryx purchase agreement (the "Purchase Agreement"). In the Purchase Agreement, a holdback payment of $500,000 was due on February 10, 2018 and a deferred cash payment of $300,000 was due on March 10, 2018. The Amending Agreement states the Company will pay $450,000 of the holdback payment which consists of $277,778 already paid plus an additional payment of $172,222 on May 17, 2018. The remaining $50,000 on the holdback payment and the $300,000 deferred cash payment have been extended to November 10, 2019 and will bear interest at 12% per annum paid in arrears quarterly commencing May 17, 2018. The remaining deferred payments of $400,000 on August 10, 2018 and $450,000, payable in shares or cash at the Company's option, on February 10, 2019 are unchanged from the Purchase Agreement. As of April 27, 2018, the Company is compliant with the payment terms of the Amending Agreement.

RISKS AND UNCERTAINTIES

An investment in the securities of the Company may be regarded as speculative due to the Company's stage of development. Risk factors relating to the Company could materially affect the Company's future results and could cause them to differ materially from those described in forward-looking statements relating to the Company. Prospective investors should carefully consider these risks.

The following are some of the risks that are associated with the Company's business and operations and should be carefully considered by any potential investor in the Company's shares.

History of Losses

The Company has a history of losses, and there can be no assurance that the Company's losses will not continue in the future. The Company's prospects must be considered in the context of its stage of development, the risks and uncertainties it faces, and the inability of the Company to accurately predict its operating results in the results of product development and sales and marketing initiatives. There can be no assurances that implementation of the Company's strategies will result in the Company becoming profitable. The Company uses cash raised in equity markets to partially fund working capital. If adequate funds are not available when required or on acceptable terms, the Company may be required to delay, scale back or terminate its product development activities and sales and marketing efforts, and may be unable to continue operations. There can be no assurance that the Company will be able to obtain the additional financial resources required to compete in its markets on favorable commercial terms or at all. Any equity offering may result in dilution to the ownership interests of shareholders and may result in dilution of the value of such interests.

The availability, or lack thereof, of bank credit, additional supplier credit, or additional equity investment could adversely affect the Company's ability to meet its business objectives. Recent market events and conditions, including disruptions in the Canadian and international credit markets and other financial systems and the deterioration of the Canadian and global economic conditions, could, among other things, impede access to capital or increase the cost of capital, which would have an adverse effect on the Company's ability to fund its working capital and other capital requirements. The Company's access to additional capital may not be available on terms acceptable to the Company or at all.

Operational Risk

In the normal course of business, LED's operations continue to be influenced by a number of internal and external factors and are exposed to risks and uncertainties that can affect its business, financial condition and operating results. LED's activities are subject to ongoing operational risks, including the performance of key suppliers, product performance, government and other industry regulations, all of which may affect its ability to meet its obligations. While management believes its innovation and technology make it a leader in the industry, revenue and results may be affected if products are not accepted in the marketplace, are not approved by regulatory authorities, or if products are not brought to market in a timely manner. LED is reliant on a small number of key employees, the loss of any one of whom could materially affect operating results and the ability to design and manufacture new products.

Debt Repayment

The Company has significant financial obligations maturing in the near-term including deferred consideration on the purchase of Apteryx, interest payments and debt principle repayments. Its ability to meet the payment requirements is dependent on generating sufficient cash flows from operations, securing additional financing or renegotiating terms of these obligations.

Distributor Risks

LED distributes its VELscope® product line in the North American market through non-exclusive distribution partnerships with multiple distributors. LED's reliance on distributors or if the distributors are unable or unwilling to promote and deliver the product to end customers, the Company's financial condition and operating results could be materially impacted. There can be no assurance the Company will be successful in managing the nuances of their markets to ensure the success of the Company's products in those markets.

Disruptions in Production

Factors that affect the production and sale of LED's products which could result in decreases in profitability include: (a) Acts of God; (b) the expiration or termination of leases, contracts, permits or licenses; (c) sales price redeterminations; (d) future litigation; (e) work stoppages or other labor difficulties; (f) disputes with suppliers, distributors and subcontractors; (g) political risk with offshore suppliers; (h) reliance on suppliers with highly technical and not easily replaceable expertise; and (i) changes in the market and general economic conditions. Weather conditions, equipment replacement or repair and fires can have a significant impact on operating results.

Seasonality

Sales may have seasonal components which may result in significant variances in quarterly operating results and may also significantly increase working capital requirements on a quarterly basis.

Working Capital Requirements

Although Company management believes in the long-term opportunity and its ability to execute on its business plan, the continued growth and success of the Company is tied to its ability to raise additional capital. The Company may not be able to raise capital or obtain favorable credit terms or debt financing to finance the investment into working capital for the business.

Management's Estimates

Management's estimates may prove to be inaccurate due to unexpected changes in business or market conditions.

Regulatory Requirements

Regulatory requirements in international markets may require clinical or other studies that may restrict the ability or timing of LED to sell in these markets.

The Company faces regulatory risk including national security review risk by the Committee on Foreign Investment in the United States.

The Company faces regulatory risk including national security review risk by the Committee on Foreign Investment in the United States.

Reliance on Suppliers

The Company has a limited number of suppliers for the raw materials required for its products. A dispute with one of these suppliers, or adverse changes in the business of the suppliers may have a negative impact on the business, operating results and financial condition of the Company if it is unable to source comparable raw materials from alternate sources at competitive rates. Reliance on key distribution partners whose products the Company resells/distributes as part of its new imaging produce offering. The Company has agreements with its manufacturer distribution partners that have termination for convenience provisions of various time frames. In the event a termination notice is received from a key supplier and the Company is not able to reach an agreement with an alternative supplier in a timely manner. This could result in a material adverse effect on the Company's product offering and recognized revenue.

Dependence on a Limited Number of Third Party Product Vendors

The Company is a distributor of third party products to its customers, which are supplied by vendors such as RAY Company. The Company is dependent upon the timely availability of these third-party products in addition to obtaining reasonable commercial terms pertaining to the purchase of such third-party products for resale by the Company. The distribution agreements between the Company and these third-party vendors include termination by the vendor with a limited notice period. In the event that the distribution agreement is either terminated by the third-party vendor or the third-party vendor is not able to supply the Company with its products or the vendor competes with the Company either directly or indirectly in its market, the Company's ability to resell such third-party products may be hindered accordingly resulting in a material adverse effect on the Company's revenue and related gross margin due to no longer being able to sell such third-party products.

(Expressed in U.S. dollars, unless otherwise noted)

Reliance on Subcontractors

LED utilizes a primary supplier for the production and supply of its products with the corresponding dependence on subcontractors who are responsible for their respective manufacturing requirements. If the primary supplier experiences business interruption issues or ceases operations or in the event that the Company's respective subcontractors manufacturing a material amount of products cease operations or are unable to come to terms on suitable arrangements with LED, LED's business and profitability may be adversely affected.

The Company May Not Realize the Benefits Currently Anticipated

As part of its strategy, the Company intends to continue its efforts to expand its existing customer base and products. A number of risks and uncertainties are associated with the development of new customers and products, including political, regulatory, design, sourcing, labor, operating, technical, technological risks and limited accessibility to distribution and or non-economic distribution channels. There are also uncertainties relating to capital and other costs, and financing risks in developing new products. The failure to develop one or more of these initiatives successfully could have an adverse effect on the Company's financial position and results of operations.

Operating Cost Fluctuations

Although the Company believes it has prudently adopted conservative assumptions in its business planning and related cost estimations, no assurances can be given that such assumptions will prove to be accurate, and, therefore, the operating costs of the Company may prove to be higher or lower than those estimated. These estimates are influenced by the availability and pricing of third party raw materials and components required in the Company's products. The transition to higher cost US operations, which are fixed in general, increases breakeven point, which may not be fully funded by sales resulting in negative cash flow.

Fluctuations in Exchange Rates

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and the United States. The Company's functional currency is the U.S. dollar. The Company has not hedged its exposure to currency fluctuations.

Assuming that all other variables remain constant, a 10% change in the value of the Canadian dollar against the US dollar would not materially affect the loss from operations. All sales and cost of sales are in US$ with a large majority of operating expenses are also in US$.

The following is a summary of the Company's exposure to currency risk:

	December 31, 2017	December 31, 2016
	CDN	CDN
Cash	**$ 345,952**	$ 461,801
Account Receivable	**28,133**	30,703
Trade payable and accrued liabilities	**(24,386)**	(799,414)
Net statement of financial position exposure	**$ 349,700**	**$ (306,910)**

Taxation

Canadian taxation authorities may challenge expense or tax credits claimed by LED including research and development expenses and related tax credits. If Canadian tax authorities successfully challenge such expenses or the correctness of tax credit claims, LED's operating results could be adversely affected. If Canadian taxation authorities reduce the tax credit either by reducing the rate of the grant or the eligibility of some research and development expenses in the future, the Company's operating results will be adversely affected.

Worsened General Economic Conditions

The decline in the global economic environment in recent years and the continuing economic instability in certain parts of the world resulted in increasing uncertainty regarding future revenue and customer commitments, both in terms of timing and magnitude for such future sales. If the global economic climate does not recover, the Company may not generate the sales activity required to support its operations resulting in requirement for additional restructurings and erosion of its existing capital resources, which may hinder the future viability of the Company.

Additional Financing

The Company has a history of operating losses and uses cash raised in equity markets to partially fund working capital. If adequate funds are not available when required or on acceptable terms, the Company may be required to delay, scale back or terminate its product development activities and sales and marketing efforts, and may be unable to continue operations. There can be no assurance that the Company will be able to obtain the additional financial resources required to compete in its markets on favorable commercial terms or at all. Any equity offering may result in dilution to the ownership interests of shareholders and may result in dilution of the value of such interests. The availability, or lack thereof, of bank credit, additional supplier credit, or additional equity investment could adversely affect the Company's ability to meet its business objectives. Recent market events and conditions, including disruptions in the Canadian and international credit markets and other financial systems and the deterioration of the Canadian and global economic conditions, could, among other things, impede access to capital or increase the cost of capital, which would have an adverse effect on the Company's ability to fund its working capital and other capital requirements. The Company's access to additional capital may not be available on terms acceptable to the Company or at all.

Research and Development

If the Company fails to develop new products, incurs delays in developing new products, or if the product the Company develops are not successful, the Company's business could be harmed. Even if the Company does develop new products, which are accepted by its target markets, the Company cannot assure that the revenue from these products will be sufficient to justify the Company's investment in research and development.

Stock Price Volatility

The market price for the common shares of the Company fluctuates significantly, and these fluctuations tend to be exaggerated if the trading volume is low. The market price of the common shares may rise or fall in response to announcements of technological or competitive developments, acquisitions or strategic alliances by the Company or its competitors, the gain or loss by the Company of significant orders or broad market fluctuations. The Company has expanded to the OTC stock exchange in the United States and Frankfurt Stock Exchange in Germany, which may not increase future trading volume of the Company's common shares.

Product Development and Technological Change

The market for the Company's products is characterized by rapidly changing technology, evolving industry standards and frequent new product introductions. To be successful, the Company will need to enhance existing products and to introduce new products and features in response to changing standards, customer requirements, and technological innovations by others. There can be no assurance that the Company will be successful in doing this in a timely manner or at all. There can be no assurance that products or technologies developed by others will not render the Company's products obsolete or non-competitive. There is no assurance that the Company will be able to successfully develop next generation operational products. Failure to do so may have an adverse effect on the business, operating results and financial condition of the Company.

Sales and Marketing and Strategic Alliances

The Company has focused its distribution sales and marketing initiatives with a primary distributor in North America resulting in significant dependency for sales of its products on this primary distributor. If the Company is to become successful, it must continue to expand its sales and distribution channels and its marketing and technology alliances. There is no assurance the Company will be able to reach agreements with additional alliance or distribution partners on a timely basis or at all, or that these partners will devote sufficient resources to advancing the Company's interests. The Company's business, results of operation, financial condition and stock price may be materially adversely affected if any strategic partner discontinues its relationship with the Company for any reason. Additionally, the Company at times relies on the voluntary efforts of its strategic partners rather than compliance with contractual obligations, and here are at times no minimum performance requirements. Therefore, the Company cannot be certain that these relationships will be successful.

Dependence on a Small Number of Customers

The Company markets and sells its products primarily through its primary distributor relationships in North America resulting in economic dependence upon such distributors for the sales of its products. Management believes that revenue derived from current and future large customers will continue to represent a significant portion of total revenue. The inability to continue to secure and maintain a sufficient number of large contracts would have a material adverse effect on the business, financial condition, operating results and cash flows of the Company. Moreover, the success of the Company will depend in part upon its ability to obtain orders from new customers, as well as the financial condition and success of its customers and general economic conditions.

Intellectual Property Protection

The Company's ability to compete may be affected by its ability to protect its intellectual property. It relies primarily on a combination of copyright, trademark, patent and trade secret laws, confidentiality procedures and contractual provisions to protect its intellectual property. While the Company believes that its products and technologies are adequately protected against infringement, there can be no assurance of effective protection. Monitoring and identifying unauthorized use of the Company's technology is difficult, and the prohibitive cost of litigation may impair the Company's ability to prosecute any infringement. The commercial success of the Company will also depend upon its products not infringing any intellectual property rights of others and upon no claims for infringement being made against the Company. The Company believes that it is not infringing any intellectual property rights of third parties, but there can be no assurance that such infringement will not occur. Infringement claims against the Company by a third party, even if it is invalid, could have a material adverse effect on the Company because of the costs of defending against such a claim. LED may fail to protect or obtain protection of intellectual property. In addition, LED may be exposed to infringement, misappropriation or other claims by third parties, which, if determined adversely, could result in LED paying significant damage awards. LED currently uses patents, trademarks and contractual arrangements with employees to protect its intellectual property rights. LED's existing and future patents could be challenged, invalidated, circumvented or rendered unenforceable. LED's pending patent applications may not result in issued patents, or if patents are issued, such patents may not provide meaningful protection again competitors or against competitive technology. Patents afford only limited protection, and the actions that LED takes to protect intellectual property rights may not be adequate. In addition, the process of seeking patent and trademark protection can be time consuming and expensive and there can be no assurance that any future patent or trademark applications will be granted in respect of LED's technology or business.

Competition

Because of intense market competition, the Company may not succeed. Some of the Company's current and potential competitors have longer operating histories, stronger brand names and greater financial, technical, marketing and other resources than the Company. Current and potential competitors may also have existing relationships with many of the Company's prospective customers, and prospective OEM customers may be developing products for their own use that are comparable to the Company's products. In addition, the Company expects competition to persist and intensify in the future, which could adversely affect the Company's ability to increase sales. Competitors have and may in the future align themselves with one or more of several large distributors of dental products, which may include exclusive marketing arrangements making a significant portion of the market unavailable to LED.

Potential Fluctuations in Quarterly Results

The Company's quarterly operating results may vary significantly depending on factors such as the timing of new product introductions and changes in pricing policies by the Company and its competitors, market acceptance of new and enhanced versions of the Company's products and the timing of significant orders. Because the Company's operating expenses are based on anticipated revenue and a high percentage of the Company's expenses are relatively fixed in the short term, variations in the timing of recognition of revenue can cause significant fluctuations in operating results from quarter to quarter and may result in unanticipated quarterly earnings shortfalls or losses. The market price of the Company's common shares may be highly volatile in response to such quarterly fluctuations.

Dependence on Key Personnel

The Company's future success depends largely on its ability to attract and retain talented employees. The Company's future results of operations will depend in part on the ability of its officers, management and other key employees to implement and expand operational, customer support and financial control systems and to expand, train and manage its employee base. The Company's future performance will also depend to a significant extent on its ability to identify, attract, train and retain highly skilled sales, technical, marketing and management personnel. If the Company were to lose the services of any key personnel, the Company may encounter difficulties finding qualified replacement personnel. LED's success is largely attributable to the leadership, contacts and efforts of LED's chief executive officer and senior management. If LED's Chief Executive Officer or one or more of the members of the senior management cease working with the Company, and the Company is unable to engage suitable replacements on a timely and commercially viable basis, the business, operating results and financial condition of the Company may be adversely affected.

Acquisitions

The Company has, and in the future may, acquire businesses, products or technologies that it believes complement or expand its existing business. Acquisitions of this type involve a number of risks, including the possibility that the operations of the acquired business will not be profitable or that the attention of the Company's management will be diverted from the day-to-day operation of its business. An unsuccessful acquisition could reduce the Company's margins or otherwise harm its financial condition. Any acquisition could result in a dilutive issuance of equity securities, the incurrence of debt and the loss of key employees. The Company cannot ensure that any acquisitions will be successfully completed or that, if one or more acquisitions are completed, the acquired businesses, products or technologies will generate sufficient revenue to offset the associated costs of the acquisitions or other adverse effects.

Product Liability and Medical Malpractice Claims

LED will be exposed to risks associated with product liability claims if the use of LED's products results in injury or property damage. Users and their patients of the VELscope® may be injured as a result of malfunctions, defects or other causes. In addition, medical malpractice claims may be brought against LED. Because of LED's limited operating history, it is difficult to predict if product liability or medical malpractice claims will be brought in the future. LED carries what it believes to be adequate product liability insurance, but LED may not have adequate resources to satisfy a judgment if a successful claim is brought. The assertion of product liability or medical malpractice claims may also significantly damage LED's reputation.

Future Share Sales

If the Company's shareholders sell substantial amounts of the Company's common shares, the market price of the Company's common shares could decrease.

Management of Growth

The Company's future results of operations will depend in part on the ability of its officers and other key employees to implement and expand operational, customer support and financial control systems and to expand, train and manage its employee base. The Company's future performance will also depend to a significant extent on its ability to identify, attract, train and retain highly skilled sales, technical, marketing and management personnel.

DISCLOSURE CONTROLS AND PROCEDURES

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the consolidated financial statements for the year ended December 31, 2017 and this MD&A (together, the "Annual Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information, the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Interim Filings on SEDAR at www.sedar.com.