



Chief Executive Officer Letter

Dear Shareholders,

Net revenues for the three months ended September 30, 2014 increased to \$1,628,643 largely due to the establishment of a new non-exclusive distribution model for the VELscope Vx product line and early revenue contributions from our recently established digital imaging product line. The digital imaging division saw a growing pipeline for its products in Q3 which is expected to continue to grow. Our digital imaging products will become a significant revenue contributor to our business from this point forward. The Company continued its investment into the establishment of its sales, marketing, support and operational infrastructure to grow our newly established digital imaging products division.

I am pleased to announce revenue growth of 86% to \$4,273,818 during the nine months ended September 30, 2014 compared to the prior year period. We provided annual revenue guidance of \$9.0 million to \$11.0 million which the Company is working diligently to achieve. Revenue growth in 2014 is a direct result from our strategic expansion with our new third party digital imaging product lines to complement our VELscope product offering. We have made a substantial investment in inventory as at September 30, 2014 to fulfil the anticipated sales orders to be received in the fourth quarter of fiscal 2014.

Significant Events

Notable business developments and achievements include the following:

Management Change

- On September 2, 2014, the Company announced that Darryl J. Yea accepted the position of Chair of the Board and Director of the Company. Darryl has been a Director with the Company since 2011 and he is currently the President of Investco Capital Management Inc. Keith Smith, the former Chair of the Board, has decided to step down as a Director.
- On September 2, 2014, Dr. David Gane, CEO of LED Medical, and Lamar Roberts, President of the Company's wholly-owned operating division, LED Dental Ltd, were appointed to the Board of Directors. In addition, Peter Whitehead, the founder and former CEO of LED Medical, has stepped down as a Director but will continue to serve as a consultant for the Company.
- On September 9, 2014, the Company announced that Jody Kelly, CPA, has joined LED Dental Ltd. as Vice President of Finance. Mrs. Kelly will be based out of the Atlanta office and assume responsibility for the company's accounting, financial planning and analysis, cash flow management, internal auditing, public company reporting and treasury.
- On October 28, 2014, the Company announced that Randolph Simmons has joined LED as Director of Technical Services. Mr. Simmons will assume the responsibilities to develop and grow LED's team of digital technology specialists, expand the service provider network and act as LED's Radiation Safety Officer.

Business Highlights

- On August 13, 2014, the Company announced the availability of its new digital intraoral camera, the LED IC100. Designed with simplicity, functionality and versatility in mind. The LED IC100 intraoral camera captures high-resolution images to provide practitioners with an enhanced patient education tool.
- On August 19 2014, the Company officially introduced the LED IC200. This product is the second intraoral camera in the Company's product portfolio and is elegantly designed to acquire high-resolution intraoral and extraoral images with auto focus and a large depth of field.

- During September 2014, the Company showcased its new Digital Imaging products at the California Dental Association (CDA) Annual Conference entitled “CDA Presents the Art and Science of Dentistry”, the American Association of Oral and Maxillofacial Surgeons 94th Annual Meeting and the American Academy of Periodontology 100th Annual Meeting and Exhibition. The CDA conference alone was attended by more than 27,000 dental professionals.
- On October 14, 2014, LED Medical announced the renewal of its exclusive international distribution agreement (outside North America) for the VELscope® Vx for a three year term with DenMat Holding LLP. This agreement requires minimum annual purchases of the VELscope® Vx product line by DenMat and is subject to another three-year extension at the mutual agreement of both parties.

Financial Highlights

- Net revenues increased to \$1,628,643 for the three months ended September 30, 2014. This is an increase of 79% from the three months ended September 30, 2013. The increase in revenues is due to a newly established non-exclusive distribution model for the Company's VELscope Vx product line from a formerly exclusive distribution relationship along with the new dental imaging product line.
- The operating loss for the three months ended September 30, 2014 was \$1,977,051 compared to the operating loss for the three months ended September 30, 2013 of \$260,326. Increased revenues for the three months ended September 30, 2014 were offset by increased investment into both sales and marketing resources with the Company establishing the infrastructure for its new imaging product line.
- EBITDA¹ was negative \$1,623,618 for the three months ended September 30, 2014 compared to EBITDA of negative \$139,816 for the three months ended September 30, 2013. The Company incurred an increased negative EBITDA for the three months ended September 30, 2014 primarily due to investments in the infrastructure and sales and marketing efforts for the digital imaging products.
- Cash used in operations was \$2,970,787 during the three months ended September 30, 2014 compared to \$739,404 during the three months ended September 30, 2013. The increased usage of cash in operations was primarily due to the increased net loss from operations along with increased inventory spending for digital equipment and prepaid tradeshow and inventory deposits.
- The Company had cash of \$815,036 as of September 30, 2014 and Net Working Capital of \$2,357,635 which is primarily attributable to the Company's investment in inventory as of September 30, 2014. This inventory is required to fulfil anticipated sales orders during the fourth quarter of fiscal 2014.

Financial Guidance for Fiscal Year 2014

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

Full Fiscal Year Ending December 31, 2014

Quantitative Guidance

Net revenues

\$9.0M - \$11.0M

The dental imaging market opportunity remains strong as dentists' transition from film to digital imaging and from 2D imaging to 3D and CAD CAM systems that promise to drive efficiencies and cost reductions in their practices. Historically the purchasing patterns for digital imaging technologies is very seasonal with Q4 being the “high season” driven in part by government tax incentives.

¹ EBITDA or Earnings before Interest, Taxes Depreciation and Amortization is a non-IFRS measure that does not have a standardized meaning and may not be comparable to a similar measure disclosed by other issuers. This measure does not have a comparable GAAP measure. EBITDA referenced here relates to net loss and comprehensive loss and excludes interest, income taxes, depreciation, amortization, finder's warrants issuance costs, stock-based compensation, deferred share unit compensation, mark to market adjustments on Canadian dollar denominated warrants, foreign exchange gain or loss and other income. This measure does not have a comparable IFRS measure and is used by the Company to manage and evaluate the cash operating loss of the business.

I am proud of what we have built to date inclusive of the team assembled and the progress we have made to position ourselves to capitalize on the busy sales cycle that lays ahead until the end of the year. We are closer than ever to realizing our goal of becoming a leading player in the North American digital dental imaging market.

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

Sincerely,

Dr. David Gane
Chief Executive Officer
November 28, 2014

Please refer to the risk factors and forward-looking statements included in Management's Discussion & Analysis filed by the Company on Sedar for the above reporting period on November 28, 2014.