

Chief Executive Officer Letter

Dear Shareholders,

Net Revenue for the three months ended March 31, 2016 came in at \$2,153,250, a decrease of 12% from the three months ended March 31, 2015. This revenue decrease was largely due to the timing of when sales imaging orders were received and could be shipped. In addition the Company recently adopted a revenue recognition policy that resulted in a decrease in sales backlog being carried into Q1 than in the previous year. This decrease in revenues was partially offset by higher demand for VELscope and VELscope Vx consumable sales.

We are proud to announce the FDA approval of our Tuxedo intraoral sensor, a digital radiography system that comes with an industry-leading 5-year warranty and look to this product contributing to our revenue growth going forward.

Business Highlights

- January 12, 2016: LED Dental announced that it has received confirmation from the United States Food and Drug Administration (FDA) that it has adequately addressed the agency's concerns outlined in a Warning Letter sent to the company dated May 12, 2014, related to certain marketing verbiage.
- January 26, 2016: LED Medical Diagnostics Inc. announced that the results of a study, titled "Fluorescence Visualization-Guided Surgery for Early-Stage Oral Cancer," have been published in the *Journal of the American Medical Association - Otolaryngology - Head and Neck Surgery*. The publication reports the findings of a retrospective, case-control observational study that was conducted on 246 patients from September 1, 2004, to August 31, 2009. The study showed a significant reduction in the rate of local recurrence of early-stage squamous cell carcinoma and high-grade precancerous lesions in patients where VELscope tissue fluorescence visualization was used to assist in determining the surgical margin for excision, compared to those patients where conventional methods were used.
- March 29, 2016: LED Dental Inc. has now received 510K approval from the FDA for its new Tuxedo™ digital intraoral radiography system to be marketed and sold in the United States.

Financial Highlights

- Net revenue for the three months ended March 31, 2016 was \$2,153,250, which is a decrease of 12% from the three months ended March 31, 2015. This revenue decrease was largely due to timing of when imaging orders were received and could be shipped partially offset by higher demand for VELscope and VELscope Vx consumable sales.
- The net loss for the three months ended March 31, 2016 was \$2,051,827 compared to the operating loss for the three months ended March 31, 2015 of \$1,489,924. The increase of operating loss is mainly attributable to higher sales and marketing investments than in 2015, higher stock option expenses resulting from the February grants and the absence of gains on the fair value of Canadian warrants.
- Cash flow used in operations was \$684,826 during the three months ended March 31, 2016 compared to cash flow used in operations of \$3,268,976 during the three months ended March 31, 2015. There were no inflows from financing for the three months ended March 31, 2016 as compared to \$2,070,229 of cash inflows from the financing activities for the three months ended March 31, 2015. The Company had cash of \$1,184,912.

We remain focused on reducing costs and driving efficiencies to lead us to profitability. Thank you for your on-going commitment.

Sincerely,
Dr. David Gane
May 27, 2016