FORM 51-102F4
BUSINESS ACQUISITION REPORT

Item 1 Identity of the Company

1.1 Name and Address of Company

LED Medical Diagnostics Inc. (the "Company")
810 - 580 Hornby Street
Vancouver, BC
Canada V6C 3B6

1.2 Executive Officer

For further information, please contact Dr. David Gane, Chief Executive Officer at 604-434-4614.

Item 2 Details of Acquisition

2.1 Nature of Business Acquired

On February 10, 2017, the Company acquired 100% of the common shares of Apteryx, Inc ("Apteryx") for aggregate consideration of US$10.25 million and closed the relating financing for gross proceeds of approximately CDN $14.4 million. The Company paid US$6.987 million in cash and issued 33,858,400 common shares of the company to the seller at C$0.07, representing US$1.8 million of value. An additional US$1.2 million of the purchase price will be paid in cash in tranches over the next 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.

Apteryx is a custom software development company located in Akron, Ohio. Specializing in the development of custom applications, Apteryx utilizes its expertise in medical and dental imaging, image processing, data encryption and security, database, data conversion and distributed systems. Founded in 1995, Apteryx has created and developed software applications and systems that are leading products in their respective industry segments. Apteryx appears to achieve the expectations of its customers by creating timely, innovative and cost effective software solutions that improve the profitability of the clients' businesses. Current products include original equipment manufacturer ("OEM") imaging applications and extensions for large government, domestic and international dental organizations, Apteryx-branded applications sold through value-added reseller networks and via the company's online store, source code libraries and other custom applications. The company's products are written in any of a number of programming languages depending upon the needs of the project.

Apteryx provides the Company with a large customer base, quality intellectual property ("IP") portfolio, strong research and development ("R&D") capability and a suite of patented digital imaging software and related services allowing us to offer our customers and prospects a complete dental digital workflow. The imaging software products which include enterprise, client server and software as a service (SaaS) versions, provide image capture, analysis, storing and sharing functionalities. This transformative acquisition is both additive and accretive to the Company and provides a number of unique synergies to our core business which we expect will result in a financially stronger and more diversified Company.

The Company's combined hardware and software offering provides the practitioner with an end to end digital imaging product workflow and the ability to convert their practice from analog technologies like film and impression materials to a complete digital imaging workflow.

Forward-Looking Statements

The following Business Acquisition Report 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 Business Acquisition Report 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: acquisition integration risks; 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 including national security review risk by the Committee on Foreign Investment in the United States; 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 Business Acquisition Report. 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 Business Acquisition Report 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.

2.2 Date of Acquisition

February 10, 2017.

2.3 Consideration

On February 10, 2017, the Company acquired 100% of the common shares of Apteryx, Inc ("Apteryx") for aggregate consideration of US$10.25 million and closed the relating financing for gross proceeds of approximately CDN $14.4 million. The Company paid US$6.987 million in cash and issued 33,858,400 common shares of the company to the seller at C$0.07, representing US$1.8 million of value. An additional US$1.2 million of the purchase price will be paid in cash in tranches over the next 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.

The Company financed the purchase price for the transaction by way of a series of financings for gross proceeds of approximately C$14.4 million as follows:

(i) a brokered private placement of equity units of the Company (the "Equity Units" for gross proceeds of approximately C$11.5 million. The Equity Units were priced at C$0.06 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 C$0.10 per common share.

(ii) a brokered private placement of 88 debenture units of the Company (the "Debenture Units") for gross proceeds of C$880,000. Each Debenture Unit consisting of C$10,000 principal value 12% senior secured debentures maturing 24 months from the closing date, and 21,250 common shares of the Company.

(iii) a non-brokered private placement of Equity Units for gross proceeds of approximately C$1.8 million.

(iv) a non-brokered private placement of 27 Debenture Units for gross proceeds of C$270,000.

The business combination has been accounted for as a purchase of a business, with the Company being identified as the acquirer and Apteryx as the acquiree.

2.4 Effect on Financial Position

The acquisition will be accounted for as a business combination.

A significant amount of the purchase consideration is expected to be allocated on a preliminary basis to intangible assets.

The Company does not presently have any plans for materials changes in the business and affairs of the Company or Apteryx which may have a significant effect on the financial performance and financial position of the Company.

2.5 Prior Valuations

None.

2.6 Parties to the Transaction

Not applicable.

2.7 Date of the Report

June 9, 2017.

Item 3 Financial Statements

The following financial statements are included as part of this Business Acquisition Report:

3.1.1 Audited Consolidated Income Statement for the year ended December 31, 2016 and Balance Sheet of Apteryx, Inc. as at December 31, 2016 and 2015 and unaudited Consolidated Income Statement for the year ended December 31, 2015. The auditors of Apteryx, Inc. have not consented to the inclusion of their audit report in this Business Acquisition Report.

APTERYX, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

APTERYX, INC.

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BOBER MARKEY FEDOROVICH
CERTIFIED PUBLIC ACCOUNTANTS/BUSINESS ADVISORS
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INDEPENDENT AUDITORS' REPORT

To the Shareholder
Apteryx, Inc.
Akron, Ohio

We have audited the accompanying financial statements of Apteryx, Inc. ("the Company"), which comprise the balance sheets as of December 31, 2016 and 2015, and the statement of income and retained earnings, and cash flows for the year ended December 31, 2016, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the year ended December 31, 2016 in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The 2015 statement of income and retained earnings, and cash flows were compiled by us and we did not audit or review those financial statements and, accordingly, express no opinion or other form of assurance on them.

Bober, Markey, Fedorovich & Company

BOBER, MARKEY, FEDOROVICH & COMPANY
Akron, Ohio

May 26, 2017

APTERYX, INC.
BALANCE SHEETS
December 31, 2016 and 2015

ASSETS

	2016	2015
CURRENT ASSETS		
Cash	$ 1,426,728	$ 1,665,458
Accounts receivable, net	398,318	412,490
TOTAL CURRENT ASSETS	1,825,046	2,077,948
PROPERTY AND EQUIPMENT		
Furniture and fixtures	128,019	128,019
Software and computer equipment	574,168	552,068
Leasehold improvements	563,469	563,469
	1,265,656	1,243,556
Less: Accumulated depreciation	(1,031,875)	(970,233)
NET PROPERTY AND EQUIPMENT	233,781	273,323
TOTAL ASSETS	$ 2,058,827	$ 2,351,271

LIABILITIES AND STOCKHOLDER'S EQUITY

	2016	2015
CURRENT LIABILITIES		
Account payable	$ 47,629	$ 14,715
Accrued retirement plan contribution	218,208	223,083
Other accrued expenses	7,476	92,025
Deferred revenue	490,286	299,427
TOTAL CURRENT LIABILITIES	763,599	629,250
STOCKHOLDER'S EQUITY		
Capital stock	20,264	20,264
Additional paid-in capital	57,900	57,900
Retained earnings	1,217,064	1,643,857
TOTAL STOCKHOLDER'S EQUITY	1,295,228	1,722,021
	$ 2,058,827	$ 2,351,271

The accompanying notes are an integral part of these financial statements.

APTERYX, INC.
STATEMENTS OF INCOME AND RETAINED EARNINGS
For the Years Ended December 31, 2016 and 2015

	2016	(Unaudited) 2015
NET REVENUE	$ 4,891,791	$ 4,041,252
EXPENSES		
Cost of revenue	1,959,070	2,015,537
Sales and marketing	120,792	149,098
General and administrative	546,928	488,896
Bad debt expense (Note 2)	67,568	470,325
Other	926	888
TOTAL EXPENSES	2,695,284	3,124,744
NET INCOME	2,196,507	916,508
BEGINNING RETAINED EARNINGS	1,643,857	2,912,911
DISTRIBUTIONS	(2,623,300)	(2,185,562)
ENDING RETAINED EARNINGS	$ 1,217,064	$ 1,643,857

The accompanying notes are an integral part of these financial statements.

APTERYX, INC
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015

	2016	(Unaudited) 2015
CASH FLOWS FROM OPERATIONS		
Net income	$ 2,196,507	$ 916,508
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation & amortization	65,516	70,232
Provision for bad debt	67,568	470,325
Changes in operating assets and liabilities:		
Accounts receivable	(53,396)	1,109,457
Accrued retirement plan contribution	32,914	28,060
Other Accrued Expenses	(84,549)	92,025
Accounts payable	(4,875)	(74,989)
Deferred revenue	190,859	1,417
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,410,544	2,613,035
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(25,974)	(30,412)
NET CASH USED IN INVESTING ACTIVITIES	(25,974)	(30,412)
CASH FLOWS FROM FINANCING ACTIVITIES		
Distributions	(2,623,300)	(2,185,562)
NET CASH USED IN FINANCING ACTIVITIES	(2,623,300)	(2,185,562)
NET INCREASE IN CASH	(238,730)	397,061
CASH AT BEGINNING OF YEAR	1,665,458	1,268,397
CASH AT END OF YEAR	$ 1,426,728	$ 1,665,458

The accompanying notes are an integral part of these financial statements.

NOTE 1 – DESCRIPTION OF BUSINESS

Apteryx, Inc. ("the Company") is a custom software development company located in Akron, Ohio. The Company specializes in the development of custom applications, utilizing the Company's expertise in medical and dental imaging, image processing, data encryption and security, database, data conversion and distributed systems.

Founded in 1995, the Company has created and developed software applications and systems that are leading products in their respective industry segments. Current products include OEM imaging applications and extensions for large government, domestic and international dental organizations. Apteryx-branded applications are sold through value-added reseller networks and via the Company's online store, source code libraries and other custom applications. The Company's products are written in any of a number of programming languages depending upon the needs of the project.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures on the financial statements. Actual results may differ from those estimates.

Cash
Cash accounts are guaranteed to specified amounts by the Federal Deposit Insurance Corporation ("FDIC"). From time to time, balances may exceed the insured levels; however, management does not believe there is any significant exposure to credit risk.

Accounts Receivable
The Company carries its accounts receivable at cost less allowance for doubtful accounts. On a periodic basis, the Company evaluates its accounts receivable and establishes an allowance for doubtful accounts, when deemed necessary, based on its history of past write-offs and collections and current credit conditions. Accounts will be written off as uncollectible if the Company determines the amount cannot be collected. The allowance for bad debt at December 31, 2016 and 2015 amounted to $67,568 and $-0- , respectively.

Property and Equipment
Property and equipment is stated at cost. Expenditures that substantially increase the useful lives of existing assets are capitalized. Routine maintenance and repairs are charged to operations as incurred. Depreciation is computed by the straight-line method using the estimated useful lives of individual assets; ranging from five to seven years for software and computer equipment, five to ten years for furniture and fixtures, and five to fifteen years for leasehold improvements.

Software Development & Intellectual Property Acquisition Costs

Capitalization of software development costs for products to be sold to third parties begins upon the establishment of technological feasibility and ceases when the product is available for general release. There is generally no significant passage of time between achievement of technological feasibility and the availability of our software for general release.

The Company has obtained several patents and tradenames for its propriety applications. Due to the uncertainty of economic benefit at the time of intellectual property acquisition, the associated acquisition costs were expensed when incurred.

A majority of the software applications and related patents were developed in the years 2000-2002; accordingly, there are no significant unamortized software development costs at December 31, 2016 or 2015 and no significant patent application expenses for the years ending December 31, 2016 or 2015 (unaudited).

Revenue Recognition

The Company generates revenue in the form of professional service contracts, software license fees and related maintenance and service fees. Revenues are recognized when the earnings process is complete, generally when software or services are provided or delivered to the customer. Revenue from software subscriptions updates is recognized ratably over the term of the arrangement, usually one year. To the extent customers are billed prior to the completion of the earnings process, such amounts are reflected as deferred revenue in the balance sheet.

Advertising Costs

Advertising costs are expensed as incurred.

Income Taxes

The Company is being taxed as a flow-through entity. The underlying shareholder is taxed at the individual level on their proportionate share of the Company's taxable income. Accordingly, no provision or liability for federal corporate income taxes is reflected in the financial statements as of December 31, 2016 or 2015. For the years ended December 31, 2016 and 2015 (unaudited), the Company identified no uncertain tax positions.

Subsequent Events

The Company has evaluated subsequent events through February 9, 2017, the date the Company was sold to LED Medical Diagnostics Inc.

NOTE 3 – COMMITMENTS AND CONTINGENCIES

The Company's office building is owned by a related party, under an operating lease expiring on December 31, 2016. The agreement required a fixed rental payment of $5,000 per month over the term of the lease.

Rent expense of $60,000 was charged to operations for the years ended December 31, 2016, and 2015, (unaudited), respectively.

The Company exercised its option to renew the lease for additional 5 years. The amended agreement requires a fixed rental payment of $7,100 per month over the term of the lease. Future minimum lease payments under this lease are annual payments of $85,200 for the years 2017-2021.

In the ordinary course of business, the Company is subject to, and is involved from time to time in litigation matters. Management does not believe that the resolution of such litigation will significantly or adversely affect the financial position, the results of operations, or cash flows of the Company.

NOTE 4 – EMPLOYEE BENEFIT PLAN

The Company provides a Simplified Employee Pension Plan (“the Plan”) covering all eligible employees. Employer contributions to the Plan are discretionary and based on a uniform percentage of eligible employees’ compensation. Company contributions to the Plan for the years ended December 31, 2016 and 2015 totaled $218,208 and $223,083 (unaudited), respectively.

NOTE 5 – MATERIAL RISK AND UNCERTAINITIES

For the years ended December 31, 2016 and 2015, sales to one customer comprised approximately 17% and 13% (unaudited), respectively, of net sales.