Neovasc Inc.

Management's Discussion and Analysis

Form 51-102F1

For the Three Months ended
March 31, 2010 and 2009

Q1
2010

FORM 51-102F1: MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis covers the unaudited interim consolidated financial statements of Neovasc Inc. (the "Company" or "Neovasc") for the three months ended March 31, 2010 and 2009.

The Management's Discussion and Analysis ("MD&A") of Financial Condition and Results of Operations should be read in conjunction with the unaudited interim consolidated financial statements and notes thereto for the three months ended March 31, 2010 (included as part of Neovasc Inc.'s quarterly filing) as well as the audited consolidated financial statements and notes thereto and the MD&A for the fiscal year ended December 31, 2009 (collectively known as the "Financial Statements").

FORWARD-LOOKING STATEMENTS

This discussion and analysis, contains forward-looking statements that are not based on historical fact, including without limitation statements containing the words "believes", "may", "plan", "will", "estimate", "continue", "anticipates", "intends", "expects", and similar expressions, including the negative of such expressions. These statements are only predictions.

Forward-looking statements and information should be considered carefully. Undue reliance should not be placed on forward-looking statements and information as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward-looking statements and information involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, which contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements and information will not occur and may cause actual results or events to differ materially from those anticipated in such forward-looking statements and information. The assumptions made by Neovasc include the ability of the Company to obtain and enforce timely patent protection for its technologies, the development of products; the timing of receipt of regulatory approvals; the sufficiency of budgeted expenditures in carrying out planned activities; and the availability and cost of labour and services (see 'Risks and Uncertainties').

More particularly and without limitation, this discussion and analysis contains forward-looking statements and information concerning the potential of Neovasc and the timing of market acceptance of the Company's technology products.

There are also other factors that may cause the actual results, events or developments to be materially different from any future results, events or developments expressed or implied by such forward-looking statements and information. Such factors include, among others, the stage of development of Neovasc, additional capital requirements, the impact of the global economic downturn, the ability to develop, manufacture and commercialize its products in a cost-effective manner, the ability to integrate newly-acquired businesses and the ability to protect Neovasc's intellectual property.

Neovasc disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements or information contained herein to reflect future results, events or developments, except as required by law.

All financial information is prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and is expressed in Canadian dollars.

Date: May 17, 2010

OVERVIEW

Description of the Business

Neovasc Inc. is a specialty vascular device company that develops, manufactures and markets medical devices for the rapidly growing vascular and surgical marketplace. The Company's current products include the Neovasc Reducer™, an innovative product in development to treat refractory angina, as well as a line of advanced biological tissue products that are used as surgical patches for a variety of procedures and as key components in a range of third party medical products such as minimally invasive artificial heart valves.

Neovasc's business operations started in March 2002, with the acquisition of Neovasc Medical Inc. (formerly PM Devices Inc. ("NMI"), NMI manufactures a line of collagen based surgical patch products made for use in cardiac reconstruction and vascular repair procedures as well as other surgeries. The products are made from chemically treated bovine and equine pericardial tissue.

In May 2003, Neovasc acquired Angiometrx Inc. ("ANG"). ANG has developed a technology called the "Metricath® System," a catheter-based device that allows clinicians to measure artery and stent size and confirm stent deployment during interventional treatment of coronary and peripheral artery disease. This product has since been discontinued as the revenue was insufficient to support the direct sales force required to call on individual hospitals.

In July, 2008, Neovasc acquired two pre-commercial vascular device companies based in Israel: Neovasc Medical Ltd. ("Neovasc Medical") and B-Balloon Ltd. ("B-Balloon") (the "Acquisitions"). Neovasc Medical had developed and owned IP related to a novel catheter-based treatment for refractory angina, a debilitating condition resulting from inadequate blood flow to the heart muscle. Refractory angina affects millions of patients and at present there is no effective cure. B-Balloon had developed certain products intended to solve problems encounter by physicians when attempting to place vascular stents at locations where an artery branches from the aorta (the "ostium") or where an artery splits into multiple branches (a "bifurcation").

Product Portfolio

Peripatch Products
Neovasc manufactures the *PeriPatch*™ ("Peripatch") line of advanced biological tissue products. These products are manufactured from pericardium, which is the protective sac that surrounds the heart of an animal. Neovasc uses its proprietary processes to convert raw pericardial tissue from animal sources into sheets of implantable tissue that can be used as a reinforcement during surgery (for example to patch a hole in an artery or to help repair a hernia) or that can be incorporated into third party medical devices (for example for use as the material for artificial heart valve leaflets or as a covering on a vascular stent). Peripatch tissue retains the mechanical characteristics of natural tissue and is readily incorporated into the body without rejection. Neovasc's Peripatch material was originally developed to fabricate artificial heart valves and has a 20-year history of successful implantation for heart valve and other surgical applications. Peripatch tissue can be manufactured to meet the mechanical and biological characteristics required for a wide variety of applications, such as surgical reinforcement patches or aortic heart valve leaflets.

The product line includes: the *PeriPatch™ Sheet, and PeriPatch™ EQ Sheet,* which are rectangular patches made from bovine (cow) or equine (horse) tissue, applied as internal bandages to repair weak or damaged organs or vessels. These are typically supplied sterile to customers who then use the sheets in surgical procedures.

The Company also provides a range of custom Peripatch products to industry customers for incorporation into their own products. These include Peripatch tissues fabricated from bovine, equine and porcine sources and offered in a wide variety of shapes and sizes. Neovasc works closely with these industry customers to develop and supply tissue to meet their specific needs. This often includes providing tissue in custom shapes or molded to 3-D configurations. The Company also provides product development and specialized manufacturing services related to Peripatch tissue-based products.

Regulatory Status
The Peripatch Sheets made from bovine tissue are cleared for sale in the United States, Canada and Mexico. The Peripatch EQ Sheets made from equine tissue are approved for sale in the European Union and in Canada. A number of third-party products which incorporate Peripatch tissue are approved for sale or have pending approvals in various markets. There is no assurance that these approvals for third-party products will be obtained.

Distribution
Certain sizes of sterile Peripatch and Peripatch EQ Sheets for surgical repair, specifically "strips" which are used primarily for vascular reconstruction procedures, are distributed exclusively by LeMaitre Vascular (Boston, MA) in the United States and Europe. Non-strip sizes of Peripatch Sheets for surgical repair are distributed by LeMaitre Vascular as well as a number of other independent distributors in Europe and elsewhere. The Company's goal is to steadily increase its distribution reach in new target markets, while increasing market share in current markets and in particular in the United States.

Distribution of custom Peripatch tissue products to industry customers is handled directly by Neovasc through its business and product development group.

Neovasc Reducer

The Neovasc Reducer™ (the "Reducer") is a treatment for patients with refractory angina. Refractory angina patients have severe, debilitating chest pain due to insufficient blood supply to the heart muscle, or myocardium, which is not amenable to revascularization. Using a simple catheter-based procedure, the Reducer is implanted in the coronary sinus, the major blood vessel that sends de-oxygenated blood from the heart back to the systemic circulation. The Reducer has been clinically demonstrated to provide significant relief of chest pain in refractory angina patients. There are approximately 1,000,000 new patients each year in the United States and Europe with recurrent angina who are potential candidates for the Reducer, either because they cannot be revascularized or because they are otherwise poorly managed using conventional medical therapies. These patients represent an annual market opportunity of over $3 billion for the Reducer product. The initial target market for the Reducer product is patients presenting with refractory angina with no other treatment options. Once physicians have adopted Reducer for use in these refractory patients, it is expected that there will be a natural spillover into the broader recurrent angina market, which represents a substantially larger patient population.

The Reducer is an hourglass-shaped, balloon-expandable, stainless steel "stent-like" device, which is implanted in the coronary sinus, creating a restriction in venous outflow from the myocardium. It is implanted using conventional percutaneous techniques. The Reducer is provided sterile and pre-loaded on a balloon catheter system. The system is 9F sheath compatible and operates over a .035" guidewire. The implantation procedure is quick and requires minimal training. Once guidewire access to the coronary sinus is achieved, implantation typically takes less than 10 minutes.

Following implantation, the bare metal Reducer is incorporated into the endothelial tissue and creates a permanent (but reversible) narrowing in the coronary sinus. The coronary sinus is narrowed from a typical diameter of 10-12mm to approximately 3mm at the site of implantation. This narrowing slightly elevates the venous outflow pressure that restores a more normal ratio of epicardial/endocardial blood flow between the outer and inner layers of the ischemic areas of the heart muscle. This results in improved perfusion of the endocardium, which helps relieve ischemia. The physiological mechanism behind this effect is well documented in medical literature.

The clinical utility of this approach is demonstrated by a number of analogous approaches used in the past that achieved excellent clinical outcomes for angina patients by constricting or intermittently blocking the coronary sinus to improve perfusion to the heart muscle. However, these therapies required the use of highly invasive surgery or leaving a catheter in the heart for a prolonged period, making them impractical or clinically unacceptable for use in modern medical practice. Reducer was developed to deliver this therapy in a safe, simple and effective manner via a catheter that is consistent with modern medical practice.

The Reducer has demonstrated excellent results in multiple animal studies and in a clinical trial of 15 patients suffering from chronic refractory angina who were followed for three years after implantation. The six-month results from this clinical trial were published in the *Journal of the American College of Cardiology* and three-year data was presented at the ACC annual scientific meeting in March 2010. In this clinical trial, implantation of the Reducer resulted in significant clinical improvements in stress test and perfusion measurements, as well as an overall quality of life improvement in the majority of the patients.

Regulatory Status

The Reducer is not yet approved for sale. Neovasc has completed development of the commercial-generation Reducer and the product has been transferred to pilot manufacture. The Company is presently initiating a clinical trial named "COSIRA" (Coronary Sinus Reducer for Treatment of Refractory Angina) which will provide data to support CE mark of the product. CE mark will enable the Company to begin marketing Reducer for use in Europe. COSIRA is expected to be a randomized, controlled multicentre trial with three to five investigation sites (two in Europe and one in Montreal Canada) and will commence in mid 2010. There is no assurance that the CE mark will be granted in the time frame anticipated by management, or granted at any time in the future. Neovasc is presently developing a US regulatory approval strategy that will address the requirement for a larger randomized clinical trial that is mandatory in the US. US approval is expected in about four to five years. There is no assurance that US regulatory approval will be granted in the time frame anticipated by management, or granted at any time in the future.

Additional Products and Third Party Sales

Neovasc provides consulting and original equipment manufacturing services to other medical device companies when these services fall within the scope of its expertise and capabilities. These activities are substantially focused on providing specialized development and manufacturing services for industry customers who incorporate the Company's Peripatch tissue materials into their vascular device products such as heart valves. The goal of these activities is to drive

near term revenues as well as support development of a long term revenue stream through the ongoing provision of tissue and manufacturing services to customers with successful device products that incorporate Neovasc tissue. Revenue earned from various contract agreements varies throughout the year depending on customer needs.

Regulatory Affairs and Clinical Trials
In the second quarter of 2009, the Company submitted a CE mark application for the Reducer product. This application was based on a small amount of clinical data from the initial Reducer trial and while this data was very positive, due to the small number of patients, the reviewers determined that additional clinical data is required to enable granting of the CE mark. The Company is presently initiating the COSIRA trial for this purpose.

During the year the Company moved to eliminate its Metricath product line and as a result abandoned the associated regulatory application for the Metricath Gemini product which was under review by the FDA.

Product Development
Product development at the Company is presently focused on completing the development and commercialization of the Reducer product. The Company is also undertaking a substantial volume of product development work under contract for third parties. These third party projects are typically focused on supporting the development of products that incorporate Neovasc's PeriPatch tissue. These activities generate both near term revenues from consulting activities for Neovasc and also are expected to drive longer term growth as a result of the revenues that will result from future sales of new PeriPatch tissue products as well as the related manufacturing services the Company will provide for these customers once their products reach the market.

Sales & Marketing
The Company's sales and marketing activities are currently focused on reaching tissue product customers and distributors, and contract manufacturing clients.

TRENDS, RISKS AND UNCERTAINTIES

The Company has incurred operating losses of $471,129 for the three months ended March 31, 2010 (2009: $1,746,240) and has a deficit of $64,837,376 at March 31, 2010 compared to a deficit of $64,366,247 as at December 31, 2009. The Company's ability to continue as a going concern is dependent on the profitable commercialization of its products or obtaining additional debt or equity financing to fund ongoing operations until profitability is achieved. The current economic crisis which has significantly tightened the credit and equity markets may result in required funds not being available to the Company at the time required or on terms acceptable to the Company and may also reduce demand for the Company's products.

Neovasc has a limited operating history which makes it difficult to predict how its business will develop or its future operating results. The Company has a history of fiscal losses since its inception and will need to generate significantly greater revenues than it has to date to achieve and maintain profitability. There is no certainty of future profitability, and results of operations in future periods cannot be predicted based on results of operations in past periods. Generally, the securities of the Company should be considered a highly speculative investment.

Neovasc is subject to risks and uncertainties associated with operating in the life sciences industry and as a company engaged in significant development, regulatory, production and commercialization activity. Neovasc cannot anticipate or prevent all of the potential risks to its success, nor predict the impact of any such risk. To the extent possible, management implements strategies aimed at reducing or mitigating risks and uncertainties associated with its business.

Operating risks include but are not limited to: market acceptance of the Company's technology and products; the Company's ability to obtain and enforce timely patent protection of its technology and products; the Company's ability to develop, manufacture and commercialize its products cost-effectively and according to regulatory standards of numerous governments; the competitive environment and impact of technological change and/or product obsolescence; the continued availability of capital to finance the Company's activities; the Company's ability to conduct and complete successful clinical trials; the Company's ability to garner regulatory approvals for its products in a timely fashion; the Company's ability to attract and retain key personnel, effectively manage growth, and smoothly integrate newly acquired businesses or technologies; limitations on third-party reimbursement; instances of product or third-party liability; dependence on a single supplier for some products; animal disease or other factors affecting the quality and availability of raw materials; conflicts of interest among the Company's directors, officers, promoters and members of management; fluctuations in the values of relative foreign currencies; volatility of the Company's share price; fluctuations in quarterly

financial results; unanticipated expenses; changes in business strategy; impact of any negative publicity; general political and economic conditions; and Acts of God and other unforeseeable events, natural or human-caused.

FOREIGN OPERATIONS

The majority of the Company's revenues are derived from product sales in the United States and Europe, primarily denominated in United States dollars and European Euros. The Company expects that international sales will continue to account for a significant portion of its revenues that are denominated in foreign currencies. Consequently, a decrease in the value of a relevant foreign currency in relation to the Canadian dollar, occurring after establishment of prices and before receipt of payment by Neovasc, has an adverse effect on the Company's results of operations. The fluctuation of foreign exchange may impose an adverse effect on the Company's results of operations and cash flows in the future. Additionally, Neovasc may be materially and adversely affected by increases in duty rates, exchange or price controls, repatriation restrictions, or other restrictions on foreign currencies. The Company's international operations are subject to certain other risks common to international operations, including, without limitation: government regulations; import restrictions and, in certain jurisdictions, reduced protection for the Company's intellectual property rights.

Foreign currency translation gains and losses arising from normal business operations are credited to or charged to operations in the period incurred. To date, Neovasc has not entered into any foreign exchange forward contracts.

SELECTED QUARTER FINANCIAL INFORMATION

The following discussion should be read in conjunction with the unaudited interim consolidated financial statements for the three months ended March 31, 2010 and 2009.

DISCUSSION OF OPERATIONS AND FINANCIAL CONDITION

This section analyzes the significant changes in the unaudited interim consolidated financial statements of operations and deficit and cash flows for the three months ended March 31, 2010, compared to those for the same period ended March 31, 2009 and compares the financial condition at March 31, 2010 to that at December 31, 2009.

Financial Results

Results for the three months ended March 31, 2010 and 2009 follow:

Revenues

Revenues increased almost 300% year-over-year to $1,065,841 for the three months ended March 31, 2010 from $355,484 for the same period in 2009. These increases reflect increased revenues from our tissue products and services business.

Sales of products for the three months ended March 31, 2010 were $737,962, compared to $298,630 in the same period in 2009, representing an increase of 147%. These revenues include sales of Peripatch products and contract manufacturing revenues in the first quarter of 2010, and Peripatch, contract manufacturing and catheter products in prior periods. The Company ceased manufacture of its Metricath product at the end of 2009.

Revenue from consulting services for the three months ended March 31, 2010 were $327,879, compared to $56,854 in the same period in 2009, representing an increase of 477%. The Company is continuing to expand its consulting services business where possible.

Cost of Sales

The cost of sales for the three months ended March 31, 2010 was $582,945, as compared to $149,760 in the comparable period in 2009. The overall gross margin for the first quarter of 2010 declined to 45%, compared to the 58% gross margin reported in 2009.

The decline in gross margin for the first quarter of 2010 was due to the impact of exchange rates, sales volume discounts to customers and a shift in product mix to certain lower margin products. In the three months ended March 31, 2010, 96% of the company's sales were derived from customers in the United States and Europe and were denominated in U.S. and European Union currency. During the first quarter of 2010, the U.S. dollar and European Union euro depreciated 3% and 9% respectively, negatively impacting recorded sales figures.

Expenses
Total expenses for the three months ended March 31, 2010 were $885,209, as compared to $1,930,494 for the same periods in 2009, representing a decrease of $1,045,285. The decrease in expenses from the first quarter of 2009 to the first quarter of 2010 reflects the elimination of operating expenses incurred at our Israeli facility of $367,000, a decrease in selling expenses of $258,000, and a reduction in general and administrative expenses of $264,000.

Sales and marketing expenses declined 85% to $44,891 for the three months ended March 31, 2010, from $302,885 for the same period in 2009. The Company terminated its direct sales force for its catheter products in the fourth quarter of 2008 and will continue to minimize sales and marketing costs while it focuses on continuing to grow its business-to-business revenue streams.

General and administrative expenses were $487,203 for the three months ended March 31, 2010 as compared to $750,829 for the same period of 2009, representing a decrease of 35%. These decreases reflect the Company's tighter business focus and the implementation of rigorous cost-cutting measures.

Product development and clinical trial expenses were $353,115 for the three months ended March 31, 2010 as compared to $876,780 for the same period of 2009, representing a decrease of 60% over the same period in 2009. The decrease in product development and clinical trial expenses of $367,000 primarily reflected expense reductions at our Israel operation. In the first quarter of 2010, product development expenditures were focused on activities supporting initiation of our Reducer COSIRA trial.

Amortization and Other Expenses
Amortization and other expenses for the three months ended March 31, 2010 were $68,816 as compared to amortization and other expenses of $21,470 for the same period in 2009. In the first quarter of 2010 the Company experienced a foreign exchange loss of $39,129 compared to an $8,518 gain in the same period of 2009.

Net Losses
The consolidated net loss for the three months ended March 31, 2010 was $471,129 or $0.02 basic loss per share, as compared with a net loss of $1,746,240 or $0.10 basic loss per share for the comparable period in 2009.

Quarterly Information

The following is a summary of selected unaudited financial information for the eight fiscal quarters to March 31, 2010:

	Quarter Ended - Unaudited			
	March 31, 2010	December 31, 2009	September 30, 2009	June 30, 2009
Sales				
Product Sales	737,962	$ 719,557	$ 573,777	$ 529,769
Consulting Services	327,879	324,315	426,590	70,555
	1,065,841	1,043,872	1,000,367	600,324
Cost of sales	582,945	511,917	465,565	277,265
Expenses				
Selling	44,891	105,343	94,412	163,683
General and administration	487,203	508,024	576,804	659,004
Product development and clinical trials	353,115	428,994	517,456	864,702
	885,209	1,042,361	1,188,672	1,687,389
EBITDA	(402,313)	(510,406)	(653,870)	(1,364,330)
Amortization/Other expenses	68,816	86,739	148,578	(33,879)
Net loss	$ (471,129)	$ (597,145)	$ (802,448)	$ (1,330,451)
Basic loss per share	$ (0.02)	$ (0.02)	$ (0.03)	$ (0.05)

	Quarter Ended - Unaudited			
	March 31, 2009	December 31, 2008	September 30, 2008	June 30, 2008
Sales				
Product Sales	298,630	$ 60,334	$ 547,119	$ 433,061
Consulting Services	56,854	31,475	40,765	-
	355,484	91,809	587,884	433,061
Cost of sales	149,760	(3,374)	283,070	220,344
Expenses				
Selling	302,885	894,470	816,421	785,491
General and administration	750,829	844,819	1,297,333	779,363
Product development and clinical trials	876,780	977,874	1,087,292	414,958
Impairment of intangible assets	-	23,061,012		
Inventory Write Down	-	532,521	-	94,404
Repayable contribution write back	-	(320,445)		
	1,930,494	25,990,251	3,201,046	2,074,216
EBITDA	(1,724,770)	(25,895,068)	(2,896,232)	(1,861,499)
Amortization/Other expenses	21,470	703,225	1,107,791	54,174
Net loss	(1,746,241)	$ (26,598,294)	$ (4,004,023)	$ (1,915,673)
Basic loss per share	(0.10)	$ (1.50)	$ (0.23)	$ (0.34)

Revenues from products and services have increased quarter over quarter from the first quarter of 2009 as the Company focused on its business-to-business sales strategy. Incremental revenue was generated each quarter as new customers were added and existing customers increased their demand.

Selling expenses have fallen quarter over quarter as the Company has dismantled its external sales and marketing force and reduced selling expenses to meet the minimal needs of the business development strategy now being pursued by the Company. General and administrative expense have been reduced quarter over quarter since the high point in the third quarter of 2008 immediately following the Acquisition of B-Balloon and Neovasc Medical on July 1, 2009 as the Company has pursued a vigorous cost reduction program. Product development and clinical trial costs have also been substantially reduced quarter over quarter from 2009 to 2010 as the Company has focused its efforts on the development of the Reducer and has moth balled other development projects in order to preserve cash.

LIQUIDITY AND CAPITAL RESOURCES

The Company finances its operations and capital expenditures with cash generated from operations, lines of credit, long-term debt and equity financings. At March 31, 2010, the Company had cash and cash equivalents of $758,823, as compared to cash and cash equivalents of $111,368 at December 31, 2009. In addition, at March 31, 2010 the Company had restricted cash related to a security on long-term debt of $50,000 (December 31, 2009 - $50,000) included in long-term assets.

At March 31, 2009 the Company had working capital of $1,122,217 as compared to a negative working capital of $28,502.at December 31, 2009. The increase in working capital during the first quarter of 2010 was predominantly due to the net impact of an increase in cash from completion of a non-brokered private placement during the first quarter of 2010; an increase in accounts receivable, reflecting relatively high sales revenues recorded at the end of the quarter in March; an increase in inventory, as levels of tissue raw material were increased in anticipation of upcoming sales; and a decrease in accounts payable as the Company continues to pay down its prior debts.

Cash used in operations was $826,476 for the three months ended March 31, 2010, as compared to $1,514,482 for the same period in 2009. The decrease in cash usage for the three months ended March 31, 2010 as compared to same period of 2009 is primarily the result of the Company's increased sales and decreased operating expenses in the first quarter of 2010.

Net cash used in investing activities was $30,855 on capital assets for the three months ended March 31, 2010 compared to net cash used of $7,971 in 2009. The Company made minimum purchases of equipment in the first quarters of 2010 and 2009.

Net cash provided by financing activities was $1,504,786 for the three months ended March 31, 2010, compared to cash used of $3,476 in the same period of 2009. On February 19, 2010, the Company completed a non-brokered private placement of 5,691,658 units at the price of $0.27 per unit for aggregate gross proceeds of $1,536,748. Each unit consists of one common share of Neovasc stock and one-half of one common share purchase warrant of Neovasc stock. Each whole warrant will entitle the holder thereof to purchase one common share of Neovasc stock at the exercise price of $0.40 per share for a period of one year after the closing date of the offering. Share issue costs were $22,015.

SUBSEQUENT EVENTS

On April 23, 2010, the Company issued 4,635,114 common shares upon the exercise of warrants issued as part of the Company's April 2009 financing (see note 9 (d) (i)). Proceeds from the exercise of the 4,635,114 warrants amounted to $1,390,534. The remaining 126,788 warrants expired on April 23, 2010.

OUTSTANDING SHARE DATA

As at March 31, 2010, the Company had 33,081,351 common voting shares issued and outstanding. Further, the following securities are convertible into exercisable or exchangeable for common shares of the Company: 3,857,175 stock options with a weighted average price of $0.42, and 7,607,733 share purchase warrants with a weighted average exercise price of $0.34. The fully diluted share capital of the Company at March 31, 2010 is 44,546,259.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off balance sheet arrangements.

RELATED PARTY TRANSACTIONS

Related party transactions are disclosed in Note 10 of the unaudited interim consolidated financial statements for the three months ended March 31, 2010 and 2009. Neovasc had a contract with a corporation owned by its former CEO for his services that are invoiced monthly. The contract was terminated in January 2009.

PROPOSED TRANSACTIONS

The Company is not party to any transaction requiring additional disclosure.

CONTROLS AND PROCEDURES

The Chief Executive Officer (CEO) and Chief Financial Officer (CFO), in cooperation with the other members of senior management and Directors, are responsible for the Company's disclosure policy. The effectiveness of the Company's internal disclosure controls have been evaluated by the CEO and the CFO, and they have concluded that the Company's control procedure provides reasonable assurance that (i) information required to be disclosed by the Company in its annual and interim reports or other reports filed or submitted by it under applicable securities legislation is recorded, processed, summarized and reported within the prescribed time periods, and (ii) material information regarding the Company is accumulated and communicated to the Company's management, including its CEO and CFO, in a timely manner.

The CEO and CFO are responsible for the design of internal controls over financial reporting in order to provide reasonable assurance that the Company's financial reporting is reliable and that financial statements prepared for external purposes are prepared in accordance with Canadian GAAP and for the safeguarding of Company assets. The CEO and CFO are aware that internal controls relating to the accounting function could be strengthened by adhering to a strict policy of segregating the duties of accounting staff to reduce the risk of unauthorized journal entries being made or a misappropriation of cash. At the Company's current size, adoption of such a policy is impractical. To reduce these risks, the CFO reviews bank reconciliation statements and performs periodic reviews of non-standard entries after they have been recorded; all cheque payments require two signing authorities. The CEO periodically reviews recorded financial information. The CEO and CFO believe that these reviews are an adequate compensating control; accordingly, there are no plans to remediate this internal control weakness.

No material changes were made to the Company's system of internal controls relating to financial reporting during the three months ended March 31, 2010.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

In February 2008, the Canadian Accounting Standards Board confirmed that the use of International Financial Reporting Standards ("IFRS") would be required for Canadian publicly accountable enterprises for fiscal years beginning on or after January 1, 2011. In 2008, in preparation for the conversion to IFRS, the Company has developed an IFRS changeover plan.

In 2009, the Company performed a diagnostic analysis of the key difference between Canadian GAAP, as currently applied by the Company, and IFRS for each significant accounting component to identify the areas that may be impacted by the transition. Based on the preliminary analysis, the Company assessed key areas that potential issues may arise during the transition, and ranked the potential impacts on the Company's financial statements as high, medium or low.

The key areas where significant changes in accounting policies are being assessed are as follows:

IFRS 2 – Share-based Payments:
Areas impacted by applying IFRS 2 are method to account for graded-vesting features and forfeiture rate estimation. The Company uses straight-line method to account for graded-vesting features, and accounts for actual forfeitures as they occur under Canadian GAAP. Under IFRS 2, the Company is required to use the attribution method to account for graded-vesting features, and estimate a forfeiture rate at the date of grant on the basis of historical data and then revise it

annually when circumstance indicates the changes of forfeiture rates. The adoption of IFRS 2 will likely result in a lower compensation expense being recorded in the income statement each period.

International Accounting Standards ("IAS") 16 – Property, Plant and Equipment ("PP&E"):
IAS 16 allows an entity to use either the cost model or the revaluation model - all items of a class of PP&E carried at fair value rather than historical cost, for the subsequent measurement of cost. The Company elected to carry the fair value of the land and building starting from January 1, 2010 as the cost. The Company engaged a qualified appraiser to evaluate the fair value of our land and building. As a result of the appraisal, the fair value of the land and building will appreciate which will result in an increase in retained earnings as at the transition date.

IAS 21 – The Effects of Changes in Foreign Exchange Rates:
The key difference between Canadian GAAP and IFRS is the requirement of determining the functional currency. Under IAS 21, the reporting entity must determine its functional currency in conjunction with the currency of the primary economic environment in which the entity operates. Based on the Company's current operations, the Company may be required to declare the U.S. dollar or European euro as our functional currency. However, the Company will still have the option under IFRS to report our financial results and position in Canadian dollars.

IAS 36 – Impairment of Assets:
Under IAS 16, an impairment loss recognized in prior periods for an asset shall be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized, which is not allowed in the Canadian GAAP. As at December 31, 2008, the Company recognized an impairment charge of $19,503,930 and wrote down its acquired technology and other intangible assets to $nil. After applying IAS 16, if the circumstance indicates that the estimates and judgments regarding forecasts on the success and lifecycle of the technologies and future cash flows generated by the acquired technologies change, the impairment loss may be reversed.

IAS 12 – Income Taxes:
The adoption of IAS 12 will change the measurement of some income tax amounts and require more extensive disclosure than under Canadian GAAP. However, the convergence project which is currently on-going between the IASB and the FASB will result in the elimination of the majority difference between Canadian GAAP and IFRS.

The other areas that will be impacted by the adoption of IFRS:

IAS 1 – Presentation of Financial Statements:
IFRS introduces a number of changes to the format of the financial statements. Some of these are mandatory changes and will have a significant impact on the presentation of the Company's financial statements. IAS 1 requires a separate statement of retained earnings. However, Neovasc has the option of retaining its current financial statement presentation, subject to certain mandatory changes under IFRS, or making more significant changes to adopt IFRS presentation across its financial statements.

IFRS 1 – First-time Adoption of IFRS:
IFRS generally has more extensive disclosure requirements than Canadian GAAP. To comply with the disclosure requirements, the Company will include the following reconciliations in its first IFRS financial statements: 1) a reconciliation of its total shareholders' equity reported under Canadian GAAP to its total shareholders' equity reported under IFRS for January 1, 2011 and December 31, 2011, and 2) a reconciliation of the earnings or loss reported under Canadian GAAP for the year ending December 31, 2011 to its earnings or loss under IFRS for the same period.

Our assessment to date of the implications of implementing IFRS has not revealed any requirements to significantly alter current information technology and data systems.

The Company will need to review and enhance internal controls over financial reporting to ensure that those controls accommodate the increased requirements of financial reporting and disclosure within an IFRS environment.