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NEWS RELEASE
TSX Venture Exchange: NVC

NEOVASC INC. REPORTS FINANCIAL RESULTS FOR SECOND QUARTER OF 2012

--Strong Increases In Product and Contract Manufacturing Revenues Drove 86% Year-Over-Year Revenue Gain--

Vancouver, BC, Canada – August 9, 2012 - Neovasc Inc. (TSXV: NVC), today announced financial results for the three months ended June 30, 2012.

"We are pleased to report continued strong growth in our tissue product and consulting services revenues in the second quarter," commented Alexei Marko, CEO of Neovasc. "The leading distributor of our surgical tissue products has been ramping up their worldwide marketing efforts and generated robust increases in sales as a result. As expected, we also are seeing strong increases in consulting service and contract manufacturing revenues, as our customers' new product programs are advancing into the later stages of development and generating greater demand for our expert specialized services."

Mr. Marko continued, "We also continued to invest in our own very promising new product development programs in the second quarter. Patient enrolment in the Neovasc Reducer™ COSIRA trial is going well and establishment of our patient registries to support European commercialization and international product registration is underway. We also continued to advance our preclinical Tiara™ mitral valve program, having now moved successfully into the chronic animal testing phase, and we believe that we are on track to achieve the first Tiara implantations in humans in 2013."

Results for the three and six months ended June 30, 2012 and 2011 follow:

Revenue
Revenues increased 86% year-over-year to $1,634,608 for the three months ended June 30, 2012, from $879,405 for the same period in 2011. For the six months ended June 30, 2012, revenues were $3,347,599, compared to revenues of $2,049,325 for the same period in 2011, representing an increase of 63%.

Product sales for the three months ended June 30, 2012 were $742,226, compared to product sales of $178,412 in the same period of 2011, representing an increase of 316%. Product sales for the six months ended June 30, 2012 were $1,451,868, compared to product sales of $729,093 in the same period of 2010, representing an increase of 99%. The increase in product sales primarily reflects higher demand from one of Neovasc's largest customers, who distributes the Company's surgical strips and patches and is achieving higher penetration in both the North American and European markets.

Contract manufacturing revenues were $458,359 in the second quarter of 2012, compared to $234,960 in the comparable period in 2011, an increase of 95%. Contract manufacturing revenues were $799,806 in the six months ended June 30, 2012, compared to $525,211 in the comparable period of 2011, an increase of 52%. The increase in contract manufacturing revenues reflects the Company's success in attracting more contract manufacturing customers as well as larger orders from existing customers as they advance their new product development programs.

Revenues from consulting services for the three months ended June 30, 2012 were $434,023, compared to consulting service revenues of $466,033 in the same period in 2011, representing a decrease of 7%. Revenues from consulting services for the six months ended June 30, 2012 were $1,095,925, compared to consulting service

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revenues of $795,021 in the same period in 2011, representing an increase of 38%. The Company's consulting service revenues are contract-driven and they can fluctuate from quarter to quarter and year to year as current projects are completed and new projects start.

Cost of Goods Sold

The cost of goods sold for the three and six months ended June 30, 2012 were $994,809 and $1,874,081, respectively, as compared to $410,957 and $1,076,733 in the same period in 2011. The overall gross margin was 39% for the second quarter of 2012 and 44% for the six months ended June 30, 2012, compared to 53% and 47% gross margin in the same periods in 2011. Gross margin has been impacted by additional costs that Neovasc has incurred as it continues to transition away from surgical strip and patch manufacture into contract manufacture of transcatheter valves and related devices.

Expenses

Total expenses for the three and six months ended June 30, 2012 were $2,158,752 and $4,249,768, respectively, as compared to $1,480,163 and $2,924,003 in the same periods in 2011, representing an increase of 46% and 45%, respectively. Of these expenses, 40% of the increase in the second quarter and 38% of the increase in the first half of 2012 can be explained by an increase in non-cash share-based payments, as discussed in the "Loss" section. Net of these non-cash share-based payments, total expenses increased $405,071 and $824,573 between the comparable quarter and half-year periods in 2012 and 2011, substantially due to an increase of $320,756 and $666,771, respectively, in clinical trial and product development expenses for the Company's two new product development programs.

Selling expenses were $48,783 and $92,010 for the three and six months ended June 30, 2012, respectively, compared to $49,842 and $97,088 in the comparable periods in 2011. The Company is continuing to maintain relatively constant and modest selling and marketing costs while it focuses on growing its business-to-business revenue streams.

General and administrative expenses were $943,467 and $2,157,272 for the three and six months ended June 30, 2012, respectively, as compared to $624,262 and $1,562,992 in the comparable periods of 2011, representing an increase of 51% and 38%, respectively. The increase in general and administrative expenses in the three and six months ended June 30, 2012 was primarily due to an increase in non-cash share-based payments of $206,924 and $398,824, respectively, as discussed in the "Loss" section, and an increase of $83,175 in regulatory affairs expenses related to the transition to a new "notified body" regulatory consultant in Europe during the first quarter of 2012.

Product development and clinical trial expenses were $1,166,502 and $2,000,486 for the three and six months ended June 30, 2012, respectively, as compared to $806,059 and $1,263,923 in the comparable periods of 2011, representing an increase of 45% and 58%, respectively. The increase in year-over-year research and development costs is principally due to increased investment in the Company's two major new product initiatives: the COSIRA clinical trial for the Neovasc Reducer and the preclinical Neovasc Tiara mitral valve development program.

Loss

The loss for the three and six months ended June 30, 2012 was $1,516,355 and $2,781,646, or $0.03 and $0.06 basic and diluted loss per share, respectively, as compared with a loss of $1,015,785 and $1,989,239 or $0.02 and $0.05 basic and diluted loss per share for the comparable periods in 2011. The increase in the loss incurred in the second quarter and in the first six months of 2012 as compared to the same periods in 2011 can be substantially explained by an increase in non-cash share-based payments of $206,924 and $398,824, respectively, and an increase in product development and clinical trial activities of $320,756 and $666,771, respectively. In 2011 and 2012, the officers and directors of Neovasc were awarded a fixed number of options under the Company's established remuneration and incentive plans. While the actual number of options granted in each year was

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equivalent, under the Black Scholes model used to value the options, the significantly higher price of the Company's shares in 2012 produced a higher overall valuation of the options issued, and therefore resulted in a higher non-cash charge to the income statement in 2012.

Liquidity and Capital Resources

Neovasc finances its operations and capital expenditures with cash generated from operations, lines of credit, long-term debt and equity financings. At June 30, 2012, the Company had cash and cash equivalents of $1,124,490, as compared to cash and cash equivalents of $435,766 at June 30, 2011. In addition, at June 30, 2012, the Company had investments of $1,504,258 (June 30, 2011: $nil).

At June 30, 2012 the Company had working capital of $2,715,971 as compared to working capital of $647,960 at June 30, 2011. Cash used in operating activities was $620,610 and $1,228,407 for the three and six months ended June 30, 2012, as compared to $656,339 and $931,257 for the same periods in 2011. The decrease in cash used in the second quarter of 2012 compared to the same period of 2011 is principally due to the fact that the increase in operating expenses was offset by an increase in cash generated by working capital items. In the second quarter of 2012, operating expenses were $950,460, compared to $723,381 for the same period in 2011, as more expenses were incurred in research and development activities. Working capital items generated cash of $322,017 in the second quarter of 2012, as inventories stabilized and required less cash to maintain, while in the same period of 2011 working capital items generated just $69,921 in cash. The increase in cash used in the first six months of 2012 compared to the same period of 2011 is principally due to an increase in operating expenses, as more expenses were incurred in research and development activities. In the first six months of 2012, operating expenses were $1,437,943 compared to $1,141,074 for the same period in 2011.

In the second quarter of 2012 a $1,008,455 investment in GICs maturing on July 16, 2012 was re-classified as cash equivalents. Net cash invested in capital assets was $98,535 and $192,441 for the three and six months ended June 30, 2012, respectively, compared to net cash invested in capital assets of $19,514 and $107,406 for the same periods in 2011. During the first six months of 2012 and 2011, the Company continued to invest capital to expand its clean room and manufacturing facilities and research and development capabilities.

Net cash provided by financing activities was $145,130 and $140,796 for the three and six months ended June 30, 2012, compared to cash used by financing activities of $140,878 and $14,598 for the same periods of 2011 as the Company paid off its overdraft in 2011 and then utilized this facility in 2012. On January 17, 2011 and February 15, 2011, Neovasc issued 197,922 and 128,371 common shares, respectively, upon the exercise of warrants issued as part of the Company's February 2010 financing. Proceeds from the exercise of the 326,293 warrants amounted to $130,517.

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Interim Consolidated Statements of Financial Position (Unaudited)

(Expressed in Canadian dollars)

		June 30, 2012		December 31, 2011 (Audited)
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**1,124,490**	$	2,404,510
Investments		**1,504,258**		1,504,290
Accounts receivable		**535,553**		735,680
Inventory		**520,320**		300,773
Prepaid expenses and other assets		**53,669**		23,372
Total current assets		**3,738,290**		4,968,625
Non-current assets				
Property, plant and equipment		**1,422,329**		1,290,651
Restricted cash and cash equivalents		**41,040**		40,840
Total non-current assets		**1,463,369**		1,331,491
Total assets	**$**	**5,201,659**	$	6,300,116
LIABILITIES AND EQUITY				
Liabilities				
Current liabilities				
Bank overdraft	**$**	**145,927**	$	-
Accounts payable and accrued liabilities		**834,312**		591,476
Current portion of long-term debt		**42,080**		41,568
Total current liabilities		**1,022,319**		633,044
Non-current liabilities				
Long-term debt		**260,976**		280,642
Total non-current liabilities		**260,976**		280,642
Total liabilities		**1,283,295**		913,686
Equity				
Share capital		**70,385,934**		70,220,381
Contributed surplus		**7,306,461**		6,158,434
Deficit		**(73,774,031)**		(70,992,385)
Total equity		**3,918,364**		5,386,430
Total liabilities and equity	**$**	**5,201,659**	$	6,300,116

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Interim Consolidated Statements of Comprehensive Loss (Unaudited)

For the three and six months ended June 30,
(Expressed in Canadian dollars)

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	**2012**	2011
REVENUE				
Product sales	**$ 742,226**	$ 178,412	**$ 1,451,868**	$ 729,093
Contract manufacturing	**458,359**	234,960	**799,806**	525,211
Consulting services	**434,023**	466,033	**1,095,925**	795,021
	1,634,608	879,405	**3,347,599**	2,049,325
COST OF GOODS SOLD	**994,809**	410,957	**1,874,081**	1,076,733
GROSS PROFIT	**639,799**	468,448	**1,473,518**	972,592
EXPENSES				
Selling expenses	**48,783**	49,842	**92,010**	97,088
General and administrative expenses	**943,467**	624,262	**2,157,272**	1,562,992
Product development and clinical trials expenses	**1,166,502**	806,059	**2,000,486**	1,263,923
	2,158,752	1,480,163	**4,249,768**	2,924,003
OPERATING LOSS	**(1,518,953)**	(1,011,715)	**(2,776,250)**	(1,951,411)
OTHER INCOME/(EXPENSE)				
Interest income	**10,499**	117	**21,833**	232
Interest expense	**(2,666)**	(2,996)	**(5,416)**	(6,005)
Loss on foreign exchange	**(5,235)**	(1,191)	**(21,813)**	(32,055)
	2,598	(4,070)	**(5,396)**	(37,828)
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	**$ (1,516,355)**	$(1,015,785)	**$(2,781,646)**	$(1,989,239)
LOSS PER SHARE				
Basic and diluted loss per share	**$ (0.03)**	$ (0.02)	**$ (0.06)**	$ (0.05)

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Interim Consolidated Statements of Cash Flows (Unaudited)

For the three and six months ended June 30,
(Expressed in Canadian dollars)

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	**2012**	2011
OPERATING ACTIVITIES				
Loss for the period	**$ (1,516,355)**	$ (1,015,785)	**$ (2,781,646)**	$ (1,989,239)
Adjustments for:				
Depreciation	**33,973**	23,288	**60,763**	44,227
Share-based payments	**539,755**	266,237	**1,299,357**	798,165
Interest income	**(10,499)**	(117)	**(21,833)**	(232)
Interest expense	**2,666**	2,996	**5,416**	6,005
	(950,460)	(723,381)	**(1,437,943)**	(1,141,074)
Net change in non-cash working capital items:				
Accounts receivable	**48,960**	93,535	**200,127**	277,560
Inventory	**24,527**	(179,560)	**(219,547)**	(267,269)
Prepaid expenses and other assets	**(11,998)**	(21,126)	**(30,297)**	(12,614)
Accounts payable and accrued liabilities	**260,528**	177,072	**242,836**	217,913
	322,017	69,921	**193,119**	215,590
Interest paid and received:				
Interest received	**10,499**	117	**21,833**	232
Interest paid	**(2,666)**	(2,996)	**(5,416)**	(6,005)
	7,833	(2,879)	**16,417**	(5,773)
	(620,610)	(656,339)	**(1,228,407)**	(931,257)
INVESTING ACTIVITES				
Decrease in investments	**1,008,455**	-	**32**	-
Purchase of property, plant and equipment	**(98,535)**	(19,514)	**(192,441)**	(107,406)
	909,920	(19,514)	**(192,409)**	(107,406)
FINANCING ACTIVITIES				
Increase/(decrease) in bank overdraft	**145,927**	(143,072)	**145,927**	(164,631)
(Increase)/decrease in restricted cash & cash equivalent	**(1,076)**	11,428	**(200)**	11,428
Repayment of long-term debt	**(9,619)**	(9,289)	**(19,154)**	(18,565)
Proceeds from exercise of warrants	**-**	-	**-**	130,517
Proceeds from exercise of options	**9,898**	55	**14,223**	26,653
	145,130	(140,878)	**140,796**	(14,598)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**434,440**	(816,731)	**(1,280,020)**	(1,053,261)
CASH AND CASH EQUIVALENTS				
Beginning of the period	**690,050**	1,252,497	**2,404,510**	1,489,027
End of the period	**$ 1,124,490**	$ 435,766	**$ 1,124,490**	$ 435,766

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About Neovasc Inc.
Neovasc Inc. is a specialty medical device company that develops, manufactures and markets products for the rapidly growing cardiovascular marketplace. Its products include the Neovasc Reducer™ for the treatment of refractory angina, the Tiara™ technology in development for the transcatheter treatment of mitral valve disease and a line of advanced biological tissue products that are used as key components in a variety of third-party medical products, such as vascular surgical patches and transcatheter heart valves. For more information, visit: www.neovasc.com.

Statements contained herein that are not based on historical or current fact, including without limitation statements containing the words “anticipates,” “believes,” “may,” “continues,” “estimates,” “expects,” and “will” and words of similar import, constitute “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Such forward looking statements involve known and unknown risks, uncertainties and 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. Such factors include, among others, the following: general economic and business conditions, both nationally and in the regions in which the Company operates; history of losses and lack of and uncertainty of revenues, ability to obtain required financing, receipt of regulatory approval of product candidates, ability to properly integrate newly acquired businesses, technology changes; competition; changes in business strategy or development plans; the ability to attract and retain qualified personnel; existing governmental regulations and changes in, or the failure to comply with, governmental regulations; liability and other claims asserted against the Company; and other factors referenced in the Company’s filings with Canadian securities regulators. Although the Company believes that expectations conveyed by the forward-looking statements are reasonable based on the information available to it on the date such statements were made, no assurances can be given as to the future results, approvals or achievements. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company does not assume the obligation to update any forward-looking statements except as otherwise required by applicable law.

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