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## NEWS RELEASE

TSX Venture Exchange: NVC

### NEOVASC INC. REPORTS FINANCIAL RESULTS FOR SECOND QUARTER OF 2011

***--Decrease in Tissue Product Revenues Caused by Implementation of New Product Specifications for Key Customer Partly Offset by Strong Growth in Revenues from Contract Manufacturing and Consulting Services--***

***--Post Quarter-End Financing Raised \$4.72 Million to Fund High Potential Reducer™ and Tiara™ Products--***

**Vancouver, BC, Canada – August 24, 2011** - Neovasc Inc. (TSXV: NVC), today announced financial results for the three and six months ended June 30, 2011.

“Revenues during the second quarter of 2011 were negatively impacted by a one-time event when a modification to certain specifications of tissue products being provided to one of our key customers caused a temporary suspension in shipments to that customer while we implemented the changes and obtained the necessary approvals. This development had a large impact on product sales during the quarter, which we expect to be non-recurring, and it was partly offset by strong year-over-year revenue growth in our contract manufacturing and consulting services categories. To date, in the current quarter we are seeing a healthy resumption in tissue product sales as the new specifications have been fully implemented,” commented Alexei Marko, CEO of Neovasc.

Mr. Marko added, “In the second quarter, we continued to enroll patients in the COSIRA trial designed to further demonstrate the safety and efficacy of our Reducer™ product for the treatment of refractory angina. In May, at EuroPCR, a leading European cardiovascular conference, we reported positive six-month follow-up data showing a marked improvement in angina symptoms for a patient with severe refractory angina who received the Reducer product in a ‘live-case’ procedure during the 2010 TCT scientific symposium. During the quarter, we also announced Tiara™, our exciting new program to develop a novel solution to treat mitral valve regurgitation (MR), a common, serious and poorly-served condition that requires development of highly specialized devices to safely address the complex anatomy of the mitral apparatus. We believe that Neovasc is ideally positioned to develop new technologies to address MR, and we are encouraged by the promising results of our product development work to date. With the successful completion of a \$4.72 million private placement announced last week, we are well positioned to resume growing our revenues and to continue to advance our two high potential development products, which we believe are now well-funded to reach critical milestones in the mid-2012 time frame.”

### DISCUSSION OF OPERATIONS AND FINANCIAL CONDITION

Results for the three and six months ended June 30, 2011 and 2010 follow:

#### Revenues

For the quarter ended June 30, 2011 revenues were \$879,405, compared to revenues of \$959,920 for the same period in 2010, a decrease of 8%. For the six months ended June 30, 2011, revenues were \$2,049,325, compared to revenues of \$2,025,761 for the same period in 2010, an increase of 1%.

Product sales for the three months ended June 30, 2011 were \$178,412, compared to product sales of \$576,884 in the same period of 2010, representing a decrease of 69%. Product sales for the six months ended June 30, 2011 were \$729,093, compared to product sales of \$952,795 in the same period of 2010, representing a decrease of 23%. The decrease in product sales in the second quarter of 2011 partly reflects a temporary suspension in sales



of Neovasc's tissue products to one customer as a result of a change in product specifications that required review and approval internally and from the appropriate regulatory authorities. The requisite approvals have now been received and sales have resumed to that customer.

Contract manufacturing revenues were \$234,960 in the second quarter of 2011, compared to contract manufacturing revenues of \$71,415 in the comparable period in 2010, an increase of 229%. Contract manufacturing revenues were \$525,211 in the six months ended June 30, 2011, compared to \$431,902 for the comparable period of 2010, an increase of 22%. The Company has experienced an increase in contract manufacturing revenues as it has attracted more customers and it also has been handling larger orders from existing customers as they advance their product development programs.

Revenues from consulting services for the three months ended June 30, 2011 were \$466,033, compared to consulting service revenues of \$311,621 in the same period in 2010, representing an increase of 50%. Revenues from consulting services for the six months ended June 30, 2011 were \$795,021, compared to consulting service revenues of \$641,064 in the same period in 2010, representing an increase of 24%. Neovasc's consulting service revenues are contract-driven and they can fluctuate from quarter to quarter 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, 2011 were \$410,957 and \$1,076,733 respectively, as compared to \$617,040 and \$1,204,399 in the comparable periods in 2010. The overall gross margin was 53% for the second quarter and 47% for the six months ended June 30, 2011, compared to gross margins of 36% and 41%, respectively, in the comparable periods in 2010.

The improvement in gross margins in the 2011 periods compared to the comparable periods in 2010 can be substantially explained by a shift in product mix to higher margin product lines. Neovasc continues to explore a number of initiatives aimed at strengthening margins going forward, including implementing further manufacturing efficiencies, reviewing pricing strategies for certain products and focusing on further expanding sales of higher margin product lines such as custom tissue for transcatheter heart valves and related manufacturing services.

#### **Expenses**

Total expenses for the three and six months ended June 30, 2011 were \$1,480,163 and \$2,924,003, respectively, as compared to \$1,303,051 and \$2,212,416 in the same periods in 2010, representing an increase of 14% and 32%, respectively. Of these expenses, 46% of the increase in the second quarter and 69% of the increase in the first half of 2011 can be explained by an increase in non-cash share-based payments, as discussed in the "Loss" section below. Net of these non-cash share-based payments, total expenses increased \$100,972 and \$227,067 between the comparable periods in 2010 and 2011, substantially due to an increase in clinical trial and product development expenses for Neovasc's two product development programs.

Selling expenses were \$49,842 and \$97,088 for the three and six months ended June 30, 2011, compared to selling expenses of \$49,358 and \$94,249 in the comparable periods in 2011. The Company is continuing to maintain relatively constant and modest marketing costs while it focuses on growing its business-to-business revenue streams.

General and administrative expenses were \$624,262 and \$1,562,992 for the three and six months ended June 30, 2011, as compared to \$715,013 and \$1,221,306 in the comparable periods of 2010, representing a decrease of 13% in the second quarter and an increase of 28% in the first six months of 2011. The increase in general and administrative expenses in the six-months ended June 30, 2011 was principally due to an increase in non-cash share-based payments, as discussed in the "Loss" section below. Other expenses have remained equivalent year over year.



Research and development costs, including product development and clinical trial expenses, were \$806,059 and \$1,263,923 for the three and six months ended June 30, 2011, representing an increase of 50% and 41%, respectively, compared to the same periods of 2010. The increase in year-over-year research and development costs is principally due to increased investment in Neovasc's two major new product initiatives--the COSIRA clinical trial for the Neovasc Reducer and the Neovasc Tiara mitral valve development program.

### **Loss**

The loss for the three and six months ended June 30, 2011 was \$1,015,785 and \$1,989,239, or \$0.02 and \$0.05 basic and diluted loss per share, respectively, as compared with a loss of \$933,734 and \$1,405,970 or \$0.03 and \$0.04 basic and diluted loss per share, respectively, for the comparable periods in 2010. The increase in the loss incurred in the first six months of 2011 as compared to the same period in 2010 can be substantially explained by an increase in product development and clinical trial activities of \$251,776 and an increase in non-cash share-based payments of \$491,169. In 2010 and 2011 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 equivalent, under the Black Scholes model used to value the options, the significantly higher price of the Company's shares in 2011 produced a higher overall valuation of the options issued and resulted in a higher charge to the income statement in 2011.

### **DISCUSSION OF 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 June 30, 2011, the Company had cash and cash equivalents of \$435,766, as compared to cash and cash equivalents of \$1,489,027 at December 31, 2010. In addition, at June 30, 2011 the Company had restricted cash and cash equivalents related to a security on long-term debt of US\$40,000 (December 31, 2010: CAD\$50,000 held as a guaranteed investment certificate) included in long-term assets and a bank overdraft facility of \$48,649 (December 31, 2010: \$213,280) included in current liabilities.

At June 30, 2011 the Company had working capital of \$647,960 as compared to working capital of \$1,752,712 at December 31, 2010. The decrease in working capital during the first six months of 2011 was predominantly due to the net impact of a decrease in cash used to fund operations during the period; a decrease in accounts receivable, due to lower sales in the second quarter of 2011 as compared to the fourth quarter of 2010 and better than expected collections from customers during the period; an increase in inventory, as levels of tissue work-in-progress increased as new specification products were manufactured but not yet sold, and an increase in accounts payable and accrued liabilities as payment on certain liabilities were deferred until the Company's recent financing was completed.

Cash used in operating activities was \$656,339 and \$931,257 for the three and six months ended June 30, 2011, as compared to \$736,831 and \$1,563,307 for the same periods in 2010. The decrease in the cash used during these periods is principally due to the reduction in working capital requirements between the periods. During the three and six months ended June 30, 2010, working capital items absorbed cash of \$28,802 and \$532,397, respectively, while in the same periods of 2011 working capital items generated \$69,921 and \$215,590, respectively.

Net cash invested in capital assets was \$19,514 and \$107,406 for the three and six months ended June 30, 2011, compared to net cash derived from investing activities of \$3,287 for the three months ended June 30, 2010 and net cash used in investing activities of \$27,568 for the six months ended June 30, 2010. During the three and six month periods in 2011 the Company invested capital to expand its clean room and manufacturing facilities.

Net cash used by financing activities was \$140,878 and \$14,598 for the three and six months ended June 30, 2011, compared to cash provided of \$1,379,913 and \$2,903,342 in the same periods of 2010. During the three and six months ended June 30, 2011, the Company used cash to reduce its bank overdraft. On February 19,



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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 entitled 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. On April 23, 2010, there were 4,635,114 warrants exercised, as part of the Company's April 2009 financing. Proceeds from the exercise of these warrants amounted to \$1,390,534. The remaining warrants issued as part of the Company's April 2009 financing expired on April 23, 2010. On January 17, 2011 and February 15, 2011, the Company 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.

### **SUBSEQUENT EVENTS**

On August 16, 2011, the Company completed a non-brokered private placement of 4,720,500 equity units at the price of \$1.00 per unit for aggregate gross proceeds of approximately \$4,720,500. 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 entitles the holder thereof to purchase one common share of Neovasc stock at the exercise price of \$1.25 per share for a period of two years after the closing date of the offering.

In addition, subsequent to the closing of the financing and on the same date, the Company granted 913,750 options from the Company's existing 20% fixed option pool, with an exercise price of \$1 per share, to a consultant to provide strategic advisory services over the next four years. The options vested 25% on the date of grant and will vest 25% on each of the next three anniversaries of the date of the grant, and will expire five years from the date of the grant.

**--Tables Follow--**



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**Neovasc Inc.**  
**Interim Consolidated Statements of Financial Position (Unaudited)**  
 (Expressed in Canadian dollars)

	June 30, 2011	December 31, 2010	January 1, 2010
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 435,766	\$ 1,489,027	\$ 298,265
Accounts receivable	384,439	661,999	442,540
Inventory	737,013	469,744	404,309
Prepaid expenses and other assets	46,343	33,729	15,771
<b>Total current assets</b>	<b>1,603,561</b>	<b>2,654,499</b>	<b>1,160,885</b>
<b>Non-current assets</b>			
Property, plant and equipment	1,287,660	1,224,481	1,249,326
Restricted cash and cash equivalents	38,572	50,000	50,000
<b>Total non-current assets</b>	<b>1,326,232</b>	<b>1,274,481</b>	<b>1,299,326</b>
<b>Total assets</b>	<b>\$ 2,929,793</b>	<b>\$ 3,928,980</b>	<b>\$ 2,460,211</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Bank overdraft	\$ 48,649	\$ 213,280	\$ 186,897
Accounts payable and accrued liabilities	865,790	647,877	962,512
Current portion of long-term debt	41,162	40,630	39,978
<b>Total current liabilities</b>	<b>955,601</b>	<b>901,787</b>	<b>1,189,387</b>
<b>Non-current liabilities</b>			
Long-term debt	299,775	318,872	357,097
<b>Total non-current liabilities</b>	<b>299,775</b>	<b>318,872</b>	<b>357,097</b>
<b>Total liabilities</b>	<b>1,255,376</b>	<b>1,220,659</b>	<b>1,546,484</b>
<b>Equity</b>			
Share capital	65,057,434	64,841,468	60,648,625
Contributed surplus	5,601,459	4,862,090	4,630,337
Deficit	(68,984,476)	(66,995,237)	(64,365,235)
<b>Total equity</b>	<b>1,674,417</b>	<b>2,708,321</b>	<b>913,727</b>
<b>Total liabilities and equity</b>	<b>\$ 2,929,793</b>	<b>\$ 3,928,980</b>	<b>\$ 2,460,211</b>



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## Neovasc Inc.

### 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,	
	2011	2010	2011	2010
<b>REVENUE</b>				
Product sales	\$ 178,412	\$ 576,884	\$ 729,093	\$ 952,795
Contract manufacturing	234,960	71,415	525,211	431,902
Consulting services	466,033	311,621	795,021	641,064
	<b>879,405</b>	<b>959,920</b>	<b>2,049,325</b>	<b>2,025,761</b>
<b>COST OF GOODS SOLD</b>				
	<b>410,957</b>	<b>617,040</b>	<b>1,076,733</b>	<b>1,204,399</b>
<b>GROSS PROFIT</b>				
	<b>468,448</b>	<b>342,880</b>	<b>972,592</b>	<b>821,362</b>
<b>EXPENSES</b>				
Selling expenses	49,842	49,358	97,088	94,249
General and administration expenses	624,262	715,013	1,562,992	1,221,306
Product development and clinical trials expenses	806,059	538,680	1,263,923	896,861
	<b>1,480,163</b>	<b>1,303,051</b>	<b>2,924,003</b>	<b>2,212,416</b>
<b>OPERATING LOSS</b>				
	<b>(1,011,715)</b>	<b>(960,171)</b>	<b>(1,951,411)</b>	<b>(1,391,054)</b>
<b>OTHER INCOME (EXPENSES)</b>				
Interest income	117	115	232	229
Interest expense	(2,996)	(2,991)	(6,005)	(5,329)
Loss on foreign exchange	(1,191)	29,313	(32,055)	(9,816)
	<b>(4,070)</b>	<b>26,437</b>	<b>(37,828)</b>	<b>(14,916)</b>
<b>LOSS FOR THE PERIOD</b>				
	<b>(1,015,785)</b>	<b>(933,734)</b>	<b>(1,989,239)</b>	<b>(1,405,970)</b>
<b>LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>				
	<b>\$ (1,015,785)</b>	<b>\$ (933,734)</b>	<b>\$ (1,989,239)</b>	<b>\$ (1,405,970)</b>
<b>LOSS PER SHARE</b>				
Basic and diluted loss per share	<b>\$ (0.02)</b>	<b>\$ (0.03)</b>	<b>\$ (0.05)</b>	<b>\$ (0.04)</b>



## Neovasc Inc. 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 end June 30,	
	2011	2010	2011	2010
<b>OPERATING ACTIVITIES</b>				
Loss for the period	\$ (1,015,785)	\$ (933,734)	\$ (1,989,239)	\$ (1,405,970)
Adjustments for:				
Depreciation	23,288	30,689	44,227	58,152
Share-based payments	266,237	185,104	798,165	306,996
Loss on disposal of equipment	-	9,912	-	9,912
Interest income	(117)	(115)	(232)	(229)
Interest expense	2,996	2,991	6,005	5,329
	<u>(723,381)</u>	<u>(705,153)</u>	<u>(1,141,074)</u>	<u>(1,025,810)</u>
Net change in non-cash working capital items:				
Accounts receivable	93,535	210,403	277,560	38,033
Inventory	(179,560)	(74,591)	(267,269)	(186,478)
Prepaid expenses and other assets	(21,126)	(11,654)	(12,614)	(36,494)
Accounts payable and accrued liabilities	177,072	(152,960)	217,913	(347,458)
	<u>69,921</u>	<u>(28,802)</u>	<u>215,590</u>	<u>(532,397)</u>
Interest received and paid:				
Interest received	117	115	232	229
Interest paid	(2,996)	(2,991)	(6,005)	(5,329)
	<u>(2,879)</u>	<u>(2,876)</u>	<u>(5,773)</u>	<u>(5,100)</u>
	<u>(656,339)</u>	<u>(736,831)</u>	<u>(931,257)</u>	<u>(1,563,307)</u>
<b>INVESTING ACTIVITIES</b>				
Proceeds from disposal of equipment	-	5,790	-	5,790
Purchase of property and equipment	(19,514)	(2,503)	(107,406)	(33,358)
	<u>(19,514)</u>	<u>3,287</u>	<u>(107,406)</u>	<u>(27,568)</u>
<b>FINANCING ACTIVITIES</b>				
(Decrease) Increase in bank overdraft	(143,072)	(7,079)	(164,631)	11,564
Decrease in restricted cash and cash equivalent	11,428	-	11,428	-
Repayment of long-term debt	(9,290)	(9,294)	(18,565)	(19,241)
Proceeds from share issue, net of costs of \$22,015	-	-	-	1,514,733
Proceeds from exercise of warrants	-	1,390,534	130,517	1,390,534
Proceeds from exercise of stock options	56	5,752	26,653	5,752
	<u>(140,878)</u>	<u>1,379,913</u>	<u>(14,598)</u>	<u>2,903,342</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(816,731)</b>	<b>646,369</b>	<b>(1,053,261)</b>	<b>1,312,467</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD</b>	<b>1,252,497</b>	<b>964,363</b>	<b>1,489,027</b>	<b>298,265</b>
<b>CASH AND CASH EQUIVALENTS, END OF THE PERIOD</b>	<b>\$ 435,766</b>	<b>\$ 1,610,732</b>	<b>\$ 435,766</b>	<b>\$ 1,610,732</b>
<b>REPRESENTED BY:</b>				
Cash	383,343	1,608,777	383,343	1,608,777
Cashable guaranteed investment certificate	52,423	1,955	52,423	1,955
Total cash and cash equivalents	<u>\$ 435,766</u>	<u>\$ 1,610,732</u>	<u>\$ 435,766</u>	<u>\$ 1,610,732</u>



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### **About Neovasc Inc.**

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 to treat refractory angina, the Tiara™ program developing novel transcatheter technologies for treating mitral valve disease and a line of advanced biological tissue products that are used to enhance surgical outcomes and as key components in a variety of third-party medical products, such as transcatheter heart valves. For more information, visit: [www.neovasc.com](http://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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