Neovasc Inc.

Management's Discussion and Analysis

Form 51-102F1

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012

Q3 2013

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 and nine months ended September 30, 2013 and 2012.

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 and nine months ended September 30, 2013 and 2012 (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, 2012 (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 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, 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 International Financial Reporting Standards ("IFRS") and is expressed in Canadian dollars.

Date: November 20, 2013

OVERVIEW

Description of the Business

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 transcatheter heart valves.

Neovasc's business operations started in March 2002, with the acquisition of Neovasc Medical Inc. ("NMI") (formerly PM Devices Inc.). NMI manufactured a line of collagen based surgical patch products. The products are made from chemically treated pericardial tissue. In 2012, the Company sold the rights to the surgical patch products to Lemaitre Vascular Inc., but retained rights to the underlying tissue technology for all other uses.

In May 2003, Neovasc acquired Angiometrx Inc. ("ANG"). ANG developed a technology called the Metricath, a catheter-based device that allowed clinicians to measure artery and stent size and confirm deployment during interventional treatment of coronary and peripheral artery disease. In 2009, Neovasc ceased all activities related to Metricath.

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"). Neovasc Medical developed and owned intellectual property 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 developed certain products intended to solve problems encountered 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"). Currently Neovasc is not developing any of the B-Balloon technologies and is focusing its product development efforts on the Neovasc Medical treatment for refractory angina.

In late 2009, Neovasc started initial activities to develop novel technologies for catheter-based treatment of mitral valve disease. Based on the early positive results of these activities, the Company launched a program to develop the Tiara transcatheter mitral valve.

Product Portfolio

Peripatch Products

Neovasc manufactures PeriPatch™ ("Peripatch"), an advanced biological tissue product that is 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 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. Peripatch tissue was originally developed to fabricate artificial heart valves and has a 25-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 transcatheter aortic heart valve leaflets.

The product line included Peripatch surgical patches which are rectangular patches made from bovine (cow) tissue, applied as internal bandages to repair weak or damaged organs or vessels. On October 31, 2012, Neovasc finalized its agreement with LeMaitre Vascular, Inc. (Burlington, MA) ("LeMaitre"), allowing LeMaitre to exercise its option to purchase certain specific rights to Neovasc's biological vascular surgical patch technology on an accelerated basis. Under the terms of the sale agreement, LeMaitre is permitted to use the Peripatch technology for the sole purpose of manufacturing surgical patches that it markets as its XenoSure™ surgical patch product line. Neovasc received the final payment of $345,000 USD from Lemaitre on October 29, 2013. Neovasc will continue to supply LeMaitre with surgical patches until LeMaitre is able to receive appropriate regulatory approvals and start manufacture of the surgical patches themselves, anticipated towards the end of 2013 or early 2014. At that time, Neovasc will cease manufacture of all surgical patches products.

The Company also provides a range of custom Peripatch products to industry customers for incorporation into their own products such as heart valves, covered stents and other specialty cardiovascular devices. These include Peripatch tissue

fabricated from bovine, equine and porcine sources and offered in a wide variety of shapes and sizes. Neovasc works closely with its 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 such as transcatheter heart valves.

Regulatory Status
Peripatch made from bovine tissue is cleared for sale in the United States, the European Union and 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.

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. The pain associated with refractory angina can make it difficult for patients to engage in routine activities, such as walking or climbing stairs. 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 muscle back to 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 patients with refractory angina in the United States and a similar number in Europe who are potential candidates for the Reducer, either because they cannot be revascularized or because they are otherwise poorly managed using conventional medical therapies. In addition, there are about 200,000-400,000 new cases diagnosed in these markets each year who are potential candidates for the Reducer. These patients represent a substantial market opportunity for the Reducer product. The initial target market for the Reducer is patients presenting with refractory angina with no other available 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 company is also exploring other potential indications for the Reducer device, which could include such disorders as diastolic dysfunction, a form of heart failure.

The Reducer is an hourglass-shaped, balloon-expandable, stainless steel, bare metal "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" guide wire. The implantation procedure is quick and requires minimal training. Once guide wire access to the coronary sinus is achieved, implantation typically takes less than 10 minutes.

Following implantation, the 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, which restores a more normal ratio of epicardial to 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 and chest pain. 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. The Reducer was developed to deliver this therapy in a safe, simple and effective manner via a catheter that is consistent with current 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 follow-up data was presented at the annual scientific meeting of the American College of Cardiology 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 in overall quality of life in the majority of the patients. These improvements were maintained for the three years of the study, which also indicated that the Reducer appeared safe and well tolerated in these patients.

The Company has just completed a clinical trial named "COSIRA" (**Co**ronary **Si**nus Reducer for Treatment of **R**efractory **A**ngina) that is expected to provide data to support broad commercialization of the Reducer product. COSIRA is a double-blinded, randomized, sham-controlled, multicentre trial of 104 patients at 11 clinical investigation sites. The COSIRA trial completed enrollment in May 2013 and collection of six-month follow up data was completed in October 2013. The initial topline results were made public in November 2013. The initial safety results of COSIRA demonstrated that the device could be safely and easily implanted in these patients. The initial efficacy results of COSIRA demonstrated that the study had met its primary endpoint with patients treated with Reducer showing a statistically significant ($p<0.05$) improvement in angina symptoms and quality of life as measured by the Canadian Cardiovascular Society (CCS) angina score compared to patients who had received a sham control procedure. Analysis of the COSIRA data and results is ongoing, with the complete results expected to be released around the end of 2013.

The Company has also initiated clinical registries in Europe, the UK and Israel to collect additional clinical data from patients treated with the Reducer.

Data from the COSIRA trial and the patient registries is expected to provide critical support for adoption and use of the Reducer product in Europe and elsewhere.

Regulatory Status
The Reducer is approved for sale in Europe having received CE mark designation in November 2011. In preparation for product launch, Neovasc has completed development of the commercial-generation Reducer and the product is currently being transferred to commercial-scale manufacture. Neovasc is presently developing a US regulatory approval strategy that will address the requirement for a larger randomized clinical trial, which is mandatory in the US. US marketing approval is expected in about two to four 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.

Neovasc Tiara
In Q2 2011, the Company formally initiated a new project to develop the Neovasc Tiara™ ("Tiara"), a product for treating mitral valve disease. The Tiara is in preclinical development to provide a minimally invasive transcatheter device for the millions of patients who experience mitral regurgitation as a result of mitral heart valve disease. Mitral regurgitation is often severe and can lead to heart failure and death. Unmet medical need in these patients is high. Currently, conventional surgical treatments are only appropriate for about 20% of these patients since the majority are too old or frail to undergo conventional valve replacement procedures. There are approximately four million patients suffering with significant mitral regurgitation in the US. The Tiara is an early stage, preclinical program and prototype devices are currently undergoing evaluation in animal and bench models. Neovasc believes it has developed distinctive solutions to the difficulties of developing a safe and effective transcatheter mitral valve device, and early results have been promising. The company is targeting first clinical use of the Tiara in 2014. Nonetheless, many challenges remain.

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 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 commercially successful devices that incorporate Neovasc tissue. Revenue earned from various contract agreements varies throughout the year depending on customer needs.

Clinical Trials
The Company is presently in the process of obtaining the clinical trial data required to support European commercial launch of the Reducer product. The COSIRA trial that has just been completed is expected to generate data to support commercialization, as well as additional regulatory applications. The Company is also enrolling patients receiving the Reducer product in clinical registries in Europe and Israel, with the expectation that data from these registries will support wider adoption and use of the Reducer in refractory angina patients.

Product Development

Product development at the Company is presently focused on completing analysis of the COSIRA study data as well as early stage development work on the Tiara to prepare the device for first human use. The Company is also undertaking product development work under contract for third parties. These third-party projects are typically focused on supporting the development of products that incorporate Peripatch tissue. These activities generate both near-term revenues from consulting services for Neovasc and also are expected to drive longer-term growth as a result of the revenues that will result from future commercial sales of new products incorporating the Peripatch tissue, as well as the related manufacturing services the Company will provide for these customers once their products reach the market. The Company may also investigate other potential new internal projects that leverage the Company's existing technologies, infrastructure and expertise.

TRENDS, RISKS AND UNCERTAINTIES

The Company has incurred operating losses of $1,439,826 and $4,538,375 for the three and nine months ended September 30, 2013 (2012: $1,206,914 and $3,988,560) and has a deficit of $75,882,128 at September 30, 2013 compared to a deficit of $71,343,753 as at December 31, 2012. As at September 30, 2013 the Company had $4,172,285 in cash and cash equivalents. In addition, the Company received $345,000 USD from LeMaitre on October 29, 2013 for the sale of a license on October 31, 2012. The Company believes it has sufficient funds for the next 12 months but further into the future the Company 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 economic crisis has significantly tightened the credit and equity markets and may result in required funds not being available to the Company at the time needed 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 what its future operating results will be. 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 technologies and products; the Company's ability to obtain and enforce timely patent protection of its technologies and products; the Company's ability to develop, manufacture and commercialize its products cost-effectively and according to the 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, while the majority of the Company's costs are denominated in Canadian dollars. The Company expects that foreign currency denominated international sales will continue to account for a the majority of its revenues. Consequently, a decrease in the value of a relevant foreign currency in relation to the Canadian dollar will have an adverse effect on the Company's results of operations, with lower than expected revenue amounts and gross margins being reported in the Company's Canadian dollar financial statements. In addition, any decrease in the value of the United States dollar or European euro occurring in between the time a sale is consummated and the time payment is received by Neovasc will lead to a foreign exchange loss being recognized on the foreign-currency denominated trade account receivable. 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 QUARTERLY FINANCIAL INFORMATION

The following discussion should be read in conjunction with the unaudited interim consolidated financial statements for the three and nine months ended September 30, 2013 and 2012.

DISCUSSION OF OPERATIONS AND FINANCIAL CONDITION

Results for the three and nine months ended September 30, 2013 and 2012 follow:

Loss

The losses for the three and nine months ended September 30, 2013 were $1,439,826 and $4,538,375, or $0.03 and $0.10 basic and diluted loss per share, respectively, as compared with a loss of $1,206,914 and $3,988,560, or $0.03 and $0.09 basic and diluted loss per share for the comparable periods in 2012. The $232,912 increase in the loss incurred for the three months ended September 30, 2013 as compared to the same period in 2012 can be substantially explained by a $224,847 increase in operating losses as the increases in general and administrative expenses and product development and clinical trials expenses. The $549,815 increase in the loss incurred for the nine months ended September 30, 2013 as compared to the same period in 2012 can be substantially explained by a $823,105 increase in operating losses as the increases in product development and clinical trials expenses and a $273,290 increase in other income due to a significant gain on foreign exchange in 2013.

Revenues

For the three months ended September 30, 2013, revenues increased by 81% to $3,633,891, compared to revenues of $2,005,940 for the same period in 2012. For the nine months ended September 30, 2013, revenues increased by 58% to $8,436,086, compared to revenues of $5,353,539 for the same period in 2012.

Product sales for the three months ended September 30, 2013 were $654,809, compared to $946,117 in the same period of 2012, representing a decrease of 31%. Product sales for the nine months ended September 30, 2013 were $2,011,688, compared to $2,397,985 in the same period of 2012, representing a decrease of 16%. These figures reflect that fact that Neovasc's product sales are solely comprised of sales of surgical patches to Lemaitre Vascular, Inc. ("Lemaitre"). On October 31, 2012 Neovasc reported the sale of a manufacturing license to LeMaitre to produce these surgical patches in-house. Neovasc will continue to supply LeMaitre with surgical patches until they receive appropriate regulatory approvals and start manufacture of the surgical patches themselves, anticipated towards the end of 2013 or in early 2014. At that time, Neovasc will cease manufacture of all surgical patches for LeMaitre.

Contract manufacturing revenues for the three months ended September 30, 2013 were $583,466, compared to $527,557 in the same period of 2012, representing an increase of 11%. Contract manufacturing revenues for the nine months ended September 30, 2013 were $1,679,976, compared to $1,327,363 in the same period of 2012, representing an increase of 27%. 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 towards commercialization and market introduction.

Revenues from consulting services for the three months ended September 30, 2013 were $2,395,616, compared to $532,266 in the same period in 2012, representing an increase of 350%. Revenues from consulting services for the nine months ended September 30, 2013 were $4,744,422, compared to $1,628,191 in the same period in 2012, representing an increase of 191%. 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. The Company hopes and anticipates that it will be able to convert more of its current consulting services customers into contract manufacturing customers as they advance their product development programs towards commercialization and market introduction. However, this change is dependent on their product development success and is therefore difficult to project.

Where possible the Company updates its charge out rates and product prices on an annual basis to maintain its margins and reflect increases in the cost of goods sold. Most customer contracts include a mechanism to calculate the price increase or to limit the maximum increase allowable each year.

Cost of Goods Sold
The cost of goods sold for the three and nine months ended September 30, 2013 were $2,160,092 and $5,027,528, respectively, as compared to $1,275,096 and $3,149,177 for the same periods in 2012. The overall gross margins for the three and nine months ended September 30, 2013 were 41% and 40%, compared to 36% and 41% gross margins for the same periods in 2012. Whilst gross margins have remained relatively stable in recent years, fluctuations reflect the different margin rates achieved in the Company's mix of consulting and contract manufacturing projects and product revenue streams. Neovasc anticipates an improvement in margins in 2014 as the sale of low margin surgical strips to Lemaitre is discontinued and the revenue mix shifts to higher margin contract manufacturing and consulting services.

Expenses
Total expenses for the three and nine months ended September 30, 2013 were $2,895,782 and $8,205,049, respectively, as compared to $1,927,980 and $6,177,748 for the same periods in 2012, representing an increase of 50% and 33%, respectively. The increase in total expenses for the three months ended September 30, 2013 as compared to the same period in 2012 reflects an increase in product development and clinical trial expenses of $928,668 as the Company expanded its development activities for its Neovasc Reducer clinical program and its Tiara mitral valve replacement device. The increase in total expenses for the nine months ended September 30, 2013 as compared to the same period in 2012 reflects increases in general and administrative expenses of $569,394, primarily from one-time non-recurring expenses, as well as product development and clinical trial expenses of $1,530,362 to advance the Tiara and Neovasc Reducer development programs.

Selling expenses for the three and nine months ended September 30, 2013 were $7,366 and $60,058, respectively, as compared to $40,503 and $132,513 for the same periods in 2012. 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 for the three and nine months ended September 30, 2013 were $1,009,473 and $3,663,868, respectively, as compared to $937,202 and $3,094,474 for the same periods of 2012, representing an increase of $72,271, an 8% increase, and an increase of $569,394, an 18% increase, respectively. During the first quarter of 2013, the Company incurred additional one-time costs establishing a dedicated regulatory affairs team and handling legal and other expenses associated with strategic and product development activities.

Product development and clinical trial expenses for the three and nine months ended September 30, 2013 were $1,878,943 and $4,481,123, respectively, as compared to $950,275 and $2,950,761 for the same periods in 2012, representing an increase of $928,668 and $1,530,362, or 98% and 52%, respectively. The increase in product development and clinical trial expenses was due to an increase in development expenses as the Company invested in its two major new product initiatives: completing the COSIRA clinical trial for the Neovasc Reducer and advancing the preclinical Neovasc Tiara mitral valve development program.

The Company's expenses are subject to inflation and cost increases. Salaries and wages have increased on average by 3% in the nine month period ended September 30, 2013 and the comparative period of 2012. The Company has not seen a significant increase in the price of any of the components used in the manufacture of its products and services.

Other income
The other loss for the three months ended September 30, 2013 was $17,843 and other income for the nine months ended September 30, 2013 was $258,116, as compared to other loss of $9,778 and $15,174 for the same periods in 2012. The Company has benefited from significant foreign exchange gains on its foreign currency-denominated cash and cash equivalents in the first nine months of 2013.

Quarterly Information

The following is a summary of selected unaudited financial information for the eight fiscal quarters to September 30, 2013:

	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012
REVENUE				
Product sales	$ 654,809	$ 766,834	$ 590,045	$ 866,866
Contract manufacturing	583,466	521,361	575,149	677,695
Consulting services	2,395,616	1,504,620	844,186	921,054
	3,633,891	2,792,815	2,009,380	2,465,615
COST OF GOODS SOLD	2,160,092	1,632,155	1,235,281	1,491,125
GROSS PROFIT	1,473,799	1,160,660	774,099	974,490
EXPENSES				
Selling expenses	7,366	31,685	21,007	36,560
General and administrative expenses	1,009,473	928,663	1,725,732	863,476
Product development and clinical trials expenses	1,878,943	1,613,609	988,571	1,029,295
	2,895,782	2,573,957	2,735,310	1,929,331
OPERATING LOSS	(1,421,983)	(1,413,297)	(1,961,211)	(954,841)
OTHER INCOME/(EXPENSE)	(17,843)	174,094	101,055	4,592,033
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	$ (1,439,826)	$ (1,238,393)	$ (1,860,156)	$ 3,637,192
BASIC AND DILUTED LOSS PER SHARE	$ (0.03)	$ (0.03)	$ (0.04)	$ 0.08

	June 30, 2012	March 31, 2012	December 31, 2011	September 30, 2011
REVENUE				
Product sales	$ 946,117	$ 742,226	$ 709,642	$ 665,034
Contract manufacturing	527,557	458,359	341,447	755,770
Consulting services	532,266	434,023	661,902	359,585
	2,005,940	1,634,608	1,712,991	1,780,389
COST OF GOODS SOLD	1,275,096	994,809	879,272	1,179,364
GROSS PROFIT	730,844	639,799	833,719	601,025
EXPENSES				
Selling expenses	40,503	48,783	43,227	47,113
General and administrative expenses	937,202	943,467	1,213,805	790,900
Product development and clinical trials expenses	950,275	1,166,502	833,984	733,055
	1,927,980	2,158,752	2,091,016	1,571,068
OPERATING LOSS	(1,197,136)	(1,518,953)	(1,257,297)	(970,043)
OTHER INCOME/(EXPENSE)	(9,778)	2,598	(7,994)	(9,387)
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	$ (1,206,914)	$ (1,516,355)	$ (1,265,291)	$ (979,430)
BASIC AND DILUTED LOSS PER SHARE	$ (0.03)	$ (0.03)	$ (0.03)	$ (0.02)

Revenues have been cyclical in nature, but show an increasing trend from quarter to quarter. The slightly unpredictable nature of revenues is expected as third party development projects are difficult to predict and may start or stop suddenly depending on the needs of the customer.

Selling expenses have remained relatively consistent from 2011 as efforts have been focused on servicing our existing customers. General and administrative expense reached a peak in the first quarter of 2013 mainly due to stock-based compensation expense of $878,816 for options granted and vested immediately in the quarter. Product development and clinical trial costs peaked in the third quarter of 2013 due to the COSIRA clinical trial and the preclinical Tiara project expenses.

DISCUSSION OF 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 September 30, 2013, the Company had cash and cash equivalents of $4,172,285 as compared to cash and cash equivalents of $2,029,241 at September 30, 2012.

Cash used in operating activities for the three and nine months ended September 30, 2013 was $1,573,872 and $3,605,021 respectively, as compared to $445,147 and $1,673,554 for the same periods in 2012. The increase in cash used for the three months ended September 30, 2013, compared to the same period of 2012, is principally due to an increase in operating expenses and an increase in cash absorbed by working capital items. For the three months ended September 30, 2013, operating expenses were $1,102,435, compared to $596,118 for the same period in 2012 as more expenses were incurred in research and development and clinical trials activities. Working capital items absorbed cash of $469,197, compared to working capital items generating cash of $147,605 for the same period in 2012, as accounts receivable and inventory absorbed more cash associated with increased production activities and revenue growth. For the nine months ended September 30, 2013, operating expenses were $2,773,226, compared to $2,034,061 for the same period in 2012, as more expenses were incurred in general and administrative and research and development and clinical trials activities. Working capital items absorbed cash of $824,844, compared to working capital items generating cash of $340,724 for the same period in 2012, as accounts receivable and inventory absorbed cash associated with increased production activities and revenue growth.

Net cash invested in capital assets was $111,150 and $1,004,182 for the three and nine months ended September 30, 2013, respectively, compared to net cash invested in capital assets of $39,872 and $232,313 for the same periods in 2012. During the three months ended September 30, 2012, a $1,504,258 investment in GICs maturing on October 15, 2012 was re-classified as cash equivalents. During the three and nine months ended September 30, 2013 and 2012, the Company continued to invest capital to expand its clean room and manufacturing facilities and research and development capabilities to meet growing demand for its products and services.

Net cash provided by financing activities was $389,530 and $2,920,368 for the three and nine months ended September 30, 2013, respectively, compared to cash used by financing activities of $114,488 for the three months ended September 30, 2012 and cash provided by financing activities of $26,308 for the nine months ended September 30, 2012. During the first nine months of 2013, the Company issued 2,335,250 common shares, upon the exercise of warrants issued as part of the Company's August 2011 financing. Proceeds received from the exercise of the 2,335,250 warrants amounted to $2,919,062.

The majority of the revenue and expenses of the Company are incurred in the parent and in one of its subsidiaries, Neovasc Medical Inc., both of which are Canadian companies. There are no significant restrictions on the transfer of funds between these entities and during the nine months ended September 30, 2013 the Company also had no complications in transferring funds to and from its subsidiaries in Israel.

The majority of the Company's cash and cash equivalents at September 30, 2013 were denominated in Canadian dollars. The Company is exposed to foreign currency fluctuations on $906,981 of its cash and cash equivalents held in United States dollars and European euros.

SUBSEQUENT EVENTS

On October 29, 2013, the Company received $345,000 USD as full and final payment for the sale of a license to LeMaitre Vascular, Inc.

OUTSTANDING SHARE DATA

As at November 30, 2013, the Company had 48,215,080 common voting shares issued and outstanding. Further, the following securities are convertible into common shares of the Company: 8,784,920 stock options with a weighted average price of $1.05. The fully diluted share capital of the Company at October 31, 2013 is 57,000,000.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off balance sheet arrangements.

RELATED PARTY TRANSACTIONS

There were no ongoing contractual commitments and transactions with related parties during the three and nine months ended September 30, 2013 and 2012, other than those compensation based payments disclosed in Note 19 of the financial statements.

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 International Financial Reporting Standards ("IFRS") 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 and nine months ended September 30, 2013.

The Company files Form 52-109FV2 – *Certification of interim filings – venture issuer basic certificate* and chose to discuss the design and evaluation of its disclosure controls and procedures (DC&P) in the interim MD&A. As a venture issuer, the Company is not required to certify the design and evaluation of the Company's DC&P and has not completed such an evaluation. The Company acknowledges that there are inherent limitations on the ability of the CEO and CFO to design and implement DC&P for the Company on a cost effective basis and this may result in additional risks to the quality, reliability, transparency and timeliness of the interim and annual filings and other reports provided.

ADDITIONAL INFORMATION

Further information, including public disclosure filed with the applicable securities regulatory authorities, is available on the Company's public profile page at www.sedar.com.