



13700 Mayfield Place, Suite 2135
Richmond BC V6V 2E4 Canada
P:604.270.4344 F:604.270.4384
www.neovasc.com

NEWS RELEASE

TSX Venture Exchange: NVC

NEOVASC INC. REPORTS FINANCIAL RESULTS FOR FIRST QUARTER OF 2012

***--Revenues Rise 46% Year-Over-Year with Substantial Increases in All Lines of Tissue Business--
--Reducer™ COSIRA Trial Advances and Neovasc Tiara™ Mitral Valve Program Unveiled at
Major Medical Meeting--***

Vancouver, BC, Canada – May 29, 2012 - Neovasc Inc. (TSXV: NVC), today announced financial results for the three months ended March 31, 2012.

“We are pleased to report that all three lines of our tissue business reported healthy revenue gains in the first quarter of 2012 compared to the same period in 2011,” commented Alexei Marko, CEO of Neovasc. “Our tissue product sales are on track and there was robust demand for our consulting services during the quarter. We also saw good gains in our contract manufacturing revenues, reflecting our success in attracting new customers as well as in booking larger orders from existing customers as they advance their new product development programs, particularly in the area of transcatheter aortic valve replacement.”

Mr. Marko continued, “As planned, we made significant R&D investments in the first quarter, as we continued patient enrolment in the Neovasc Reducer™ COSIRA trial and established patient registries intended to support European commercialization and international product registration efforts. The COSIRA trial is proceeding well and we look forward to presenting the results once completed. We also continued to ramp up our preclinical Tiara™ mitral valve program and results of early testing were presented at three sessions at EuroPCR, the major European interventional cardiology meeting. Despite the early stage of the Tiara program, these sessions attracted considerable attention, reinforcing our view that Tiara may have significant potential in providing a treatment for mitral regurgitation, a challenging and poorly served condition. We currently are on track to achieve the first Tiara implantations in humans in 2013.”

Results for the three months ended March 31, 2012 and 2011 follow:

Revenues

Revenues increased 46% year-over-year to \$1,712,991 for the three months ended March 31, 2012, from \$1,169,920 for the same period in 2011.

Product sales for the first quarter of 2012 were \$709,642, compared to product sales of \$550,681 in the same period of 2011, an increase of 29%. The increase in product sales primarily reflects higher demand from one of Neovasc’s largest customers, who distributes the Company’s Peripatch™ strips and patches and is achieving higher penetration in both the North American and European markets.

Contract manufacturing revenues were \$341,447 in the first quarter of 2012, compared to contract manufacturing revenues of \$290,251 in the comparable period in 2011, an increase of 18%. 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 March 31, 2012 were \$661,902, compared to consulting service revenues of \$328,988 in the same period in 2011, representing an increase of 101%. 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 months ended March 31, 2012 were \$879,272, as compared to \$665,776 in the same period in 2011. The overall gross margin for the first quarter of 2012 was 49%, compared to 43% gross margin in the same period in 2011. Neovasc will continue to pursue initiatives aimed at strengthening margins, including implementing further manufacturing efficiencies, reviewing pricing strategies for certain products and focusing on further expanding sales of higher margin product lines.

Expenses

Total expenses for the three months ended March 31, 2012 increased \$647,176 to \$2,091,016, compared to \$1,443,840 in the same period in 2011, representing an increase of 45%. The increase can be partly explained by an increase in non-cash share-based payments of \$223,868, as discussed in the "Loss" section below. Net of these non-cash share-based payments, total expenses increased \$423,308 between the comparable periods in 2012 and 2011, substantially due to an increase of \$346,015 in clinical trial and product development expenses for the Company's two new product development programs.

Selling expenses were \$43,227 for the three months ended March 31, 2012, compared to \$47,246 in the comparable period 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 \$1,213,805 for the three months ended March 31, 2012, as compared to \$938,730 in the comparable period of 2011, representing an increase of 29%. The increase in general and administrative expenses was primarily due to an increase in non-cash share-based payments of \$191,900, as discussed in the "Loss" section below and an increase of \$83,175 in regulatory affairs expenses related to the transition to a new notified body in Europe during the first quarter of 2012.

Product development and clinical trial expenses were \$833,984 for the three months ended March 31, 2012, as compared to \$457,864 in the comparable period of 2011, representing an increase of 82%. 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 months ended March 31, 2012 was increased by \$291,837 to \$1,265,291, or \$0.03 basic and diluted loss per share, as compared with a loss of \$973,454 or \$0.02 basic and diluted loss per share for the comparable period in 2011.

The increase in the loss incurred in the first quarter of 2012 as compared to the same period in 2011 is primarily the result of an increase in non-cash share-based payments of \$227,674. In the first quarter of 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 equivalent, under the Black Scholes model used to value the options, the significantly higher price of the Company's shares in the first quarter of 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 March 31, 2012, the Company had cash and cash equivalents of \$690,050, as compared to cash and cash equivalents of \$1,252,497 at March 31, 2011. In addition, at March 31, 2012 the Company had investments of \$2,512,713 (March 31, 2011: \$nil).



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At March 31, 2012 the Company had working capital of \$3,758,201 as compared to working capital of \$1,391,805 at March 31, 2011. Cash used in operating activities was \$607,797 for three months ended March 31, 2012, as compared to \$274,918 for the same period in 2011. The increase in cash used in the first quarter of 2012 compared to the same period of 2011 is principally due to the change in working capital items in each period. In 2012 working capital items absorbed cash of \$128,898, while in the same period of 2011 working capital items generated cash of \$145,669.

In the first quarter 2012 the Company invested \$1,008,423 in longer-term investments, as its cash and cash equivalents were sufficient to meet its obligations in the short-term. Net cash invested in capital assets was \$93,906 for the three months ended March 31, 2012, compared to net cash invested in capital assets of \$87,892 for the same period in 2011. During the first quarter of 2012 and 2011, the Company continued to invest capital to expand its clean room and manufacturing facilities.

Net cash used by financing activities was \$4,334 for the three months ended March 31, 2012, compared to cash provided by financing activities of \$126,280 for the three months ended March 31, 2011. 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.



Interim Consolidated Statements of Financial Position (Unaudited)

(Expressed in Canadian dollars)

| | March 31, 2012 | December 31, 2011 (Audited) |
|--|---------------------|-----------------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 680,050 | \$ 2,404,510 |
| Investments | 2,512,713 | 1,504,290 |
| Accounts receivable | 584,513 | 735,680 |
| Inventory | 544,847 | 300,773 |
| Prepaid expenses and other assets | 41,671 | 23,372 |
| Total current assets | 4,373,794 | 4,968,625 |
| Non-current assets | | |
| Property, plant and equipment | 1,357,767 | 1,290,651 |
| Restricted cash and cash equivalents | 39,964 | 40,840 |
| Total non-current assets | 1,397,731 | 1,331,491 |
| Total assets | \$ 5,771,525 | \$ 6,300,116 |
| LIABILITIES AND EQUITY | | |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 573,784 | 591,476 |
| Current portion of long-term debt | 41,809 | 41,568 |
| Total current liabilities | 615,593 | 633,044 |
| Non-current liabilities | | |
| Long-term debt | 270,866 | 280,642 |
| Total non-current liabilities | 270,866 | 280,642 |
| Total liabilities | 886,459 | 913,686 |
| Equity | | |
| Share capital | 70,334,985 | 70,220,381 |
| Contributed surplus | 6,807,757 | 6,158,434 |
| Deficit | (72,257,676) | (70,992,385) |
| Total equity | 4,885,066 | 5,386,430 |
| Total liabilities and equity | \$ 5,771,525 | \$ 6,300,116 |



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Interim Consolidated Statements of Comprehensive Loss (Unaudited)

For the three months ended March 31,
(Expressed in Canadian dollars)

| | <u>2012</u> | <u>2011</u> |
|---|-----------------------|---------------------|
| REVENUE | | |
| Product sales | \$ 709,642 | \$ 550,681 |
| Contract manufacturing | 341,447 | 290,251 |
| Consulting services | 661,902 | 328,988 |
| | <u>1,712,991</u> | <u>1,169,920</u> |
| COST OF GOODS SOLD | <u>879,272</u> | <u>665,776</u> |
| GROSS PROFIT | <u>833,719</u> | <u>504,144</u> |
| EXPENSES | | |
| Selling expenses | 43,227 | 47,246 |
| General and administrative expenses | 1,213,805 | 938,730 |
| Product development and clinical trials expenses | 833,984 | 457,864 |
| | <u>2,091,016</u> | <u>1,443,840</u> |
| OPERATING LOSS | <u>(1,257,297)</u> | <u>(939,696)</u> |
| OTHER INCOME/(EXPENSE) | | |
| Interest income | 11,334 | 115 |
| Interest expense | (2,750) | (3,009) |
| Gain/(loss) on foreign exchange | (16,578) | (30,864) |
| | <u>(7,994)</u> | <u>(33,758)</u> |
| LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD | <u>\$ (1,265,291)</u> | <u>\$ (973,454)</u> |
| LOSS PER SHARE | | |
| Basic and diluted loss per share | <u>\$ (0.03)</u> | <u>\$ (0.02)</u> |



Interim Consolidated Statements of Cash Flows (Unaudited)

For the three months ended March 31,
 (Expressed in Canadian dollars)

| | 2012 | 2011 |
|---|--------------------|---------------------|
| OPERATING ACTIVITIES | | |
| Loss for the period | \$ (1,265,291) | \$ (973,454) |
| Adjustments for: | | |
| Depreciation | 26,790 | 20,939 |
| Share-based payments | 759,602 | 531,928 |
| Interest income | (11,334) | (115) |
| Interest expense | 2,750 | 3,009 |
| | <u>(487,483)</u> | <u>(417,693)</u> |
| Net change in non-cash working capital items: | | |
| Accounts receivable | 151,167 | 184,025 |
| Inventory | (244,974) | (87,709) |
| Prepaid expenses and other assets | (18,299) | 8,512 |
| Accounts payable and accrued liabilities | (17,692) | 40,841 |
| | <u>(128,898)</u> | <u>145,669</u> |
| Interest paid and received: | | |
| Interest received | 11,334 | 115 |
| Interest paid | (2,750) | (3,009) |
| | <u>8,584</u> | <u>(2,894)</u> |
| | <u>(607,797)</u> | <u>(274,918)</u> |
| INVESTING ACTIVITIES | | |
| Increase in investments in guaranteed investment certificates | (1,008,423) | - |
| Purchase of property, plant and equipment | (93,906) | (87,892) |
| | <u>(1,102,329)</u> | <u>(87,892)</u> |
| FINANCING ACTIVITIES | | |
| (Decrease)/increase in bank overdraft | - | (21,559) |
| Decrease/(increase) in restricted cash & cash equivalents | 876 | - |
| Repayment of long-term debt | (9,535) | (9,276) |
| Proceeds from exercise of warrants | - | 130,517 |
| Proceeds from exercise of options | 4,325 | 26,598 |
| | <u>(4,334)</u> | <u>126,280</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (1,714,460) | (236,530) |
| CASH AND CASH EQUIVALENTS | | |
| Beginning of the period | 2,404,510 | 1,489,027 |
| End of the period | <u>\$ 690,050</u> | <u>\$ 1,252,497</u> |
| Represented by: | | |
| Cash | 184,592 | 1,250,190 |
| Cashable high interest savings accounts | 504,385 | - |
| Cashable guaranteed investment certificate | 1,073 | 2,307 |
| | <u>\$ 690,050</u> | <u>\$ 1,252,497</u> |



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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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Corporate contact:

Neovasc Inc.
Chris Clark
604 248-4138

U.S. media & investor contact:

BLL Partners, LLC
Barbara Lindheim
212 584-2276