Neovasc Inc.

Management's Discussion and Analysis

Form 51-102F1

FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012

Q1 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 months ended March 31, 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 months ended March 31, 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: May 28, 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 manufactures a line of collagen based surgical patch products made for use in cardiac reconstruction and vascular repair procedures as well as other surgeries. The products are made from chemically treated pericardial tissue.

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 stent 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 later stage 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 aortic heart valve leaflets.

The product line includes Peripatch surgical patches which are rectangular patches made from bovine (cow) tissue, applied as internal bandages to repair weak or damaged organs or vessels. These are typically supplied sterile to physicians who then use the patches in surgical procedures. 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 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. At that time, Neovasc will cease manufacture of all surgical patches.

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 new patients each year in the United States and Europe with refractory angina who are potential candidates for the Reducer, either because they cannot be revascularized or because they are otherwise poorly managed using conventional medical therapies. These patients represent a substantial annual 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 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 contemporary 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.

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. The Company is presently conducting a clinical trial named

"COSIRA" (**<u>Co</u>**ronary **<u>Si</u>**nus Reducer for Treatment of **<u>R</u>**efractory **<u>A</u>**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 approximately 104-124 patients with an expected eight to 10 clinical investigation sites. Patient enrollment is expected to be completed in May 2013. The Company has also initiated clinical registries in Europe 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. 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. 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 which commenced in September 2010 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 commercialization of the Reducer as well as early stage development work on the Tiara. 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 activities 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 $1,860,156 for the three months ended March 31, 2013 (2012: $1,265,291) and has a deficit of $73,203,909 at March 31, 2013 compared to a deficit of $71,343,753 as at December 31, 2012. As at March 31, 2013 the Company had $4,859,604 in cash and cash equivalents. In addition, the Company received $2.3 million from the exercise of warrants on April 24, 2013 (see 'Subsequent Events') and anticipates the receipt of approximately $560,000 from warrants that are in the money and that are due to expire on August 16, 2013, approximately $900,000 from options that are in the money and that are due to expire on October 31, 2013 and $345,000 from LeMaitre on October 29, 2013. 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 current economic crisis that has significantly tightened the credit and equity markets 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 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 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 QUARTER FINANCIAL INFORMATION

The following discussion should be read in conjunction with the unaudited interim consolidated financial statements for the months ended March 31, 2013 and 2012.

DISCUSSION OF OPERATIONS AND FINANCIAL CONDITION

Results for the three months ended March 31, 2013 and 2012 follow:

Loss

The losses for the three months ended March 31, 2013 were $1,860,156, or $0.04 basic and diluted loss per share, as compared with a loss of $1,265,291 or $0.03 basic and diluted loss per share for the comparable period in 2012. The increase in the loss incurred in the first quarter of 2013 as compared to the same period in 2012 can be substantially explained by an increase in general and administrative expenses, an increase in product development and clinical trial expenses and an increase in non-cash share-based payments. In the first quarter of 2013 and 2012, the officers and directors of Neovasc were awarded a fixed number of options under the Company's established remuneration and incentive plans. Even though the actual number of options granted in 2013 was less than those granted in 2012, under the Black Scholes model used to value the options, the significantly higher price of the Company's shares in the first quarter of 2013 produced a higher overall valuation of the options issued, and therefore resulted in a higher non-cash charge to the income statement in 2013.

Revenues

Revenues increased 17% year-over-year to $2,009,380 for the three months ended March 31, 2013, compared to revenues of $1,712,991 for the same period in 2012.

Product sales for the three months ended March 31, 2013 were $590,045, compared to $709,642 in the same period of 2012, representing a decrease of 17%. Product sales are comprised of sales of surgical patches, mostly 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.

Contract manufacturing revenues for the three months ended March 31, 2013 were $575,149, compared to $341,447 in the same period in 2012, representing an increase of 68%. 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, 2013 were $844,186, compared to $661,902 in the same period in 2012, representing an increase of 28%. 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. However, this change is dependent on their product development and commercialization 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 months ended March 31, 2013 were $1,235,281, as compared to $879,272 for the same period in 2012. The overall gross margin for the first quarter of 2013 was 39%, compared to 49% gross margin for the same period in 2012. Gross margin in the first quarter of 2012 was increased by the fact that the Company was able to sell a significant amount of inventory that had previously been written down to nil value and also because it had a one-time consulting contract at an unusually high margin, both of which contributed to the higher margin in that period.

Expenses
Total expenses for the three months ended March 31, 2013 were $2,735,310, as compared to $2,091,016 for the same period in 2012, representing an increase of $644,294 or 31%. The increase in total expenses in the first quarter of 2013 as compared to the same period in 2012 can be explained by increases in general and administrative expenses of $299,093, non-cash share-based payments of $231,648 as discussed in the "Loss" section and an increase in product development and clinical trial expenses of $135,543.

Selling expenses for the three months ended March 31, 2013 were $21,007, as compared to $43,227 for the same period 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 months ended March 31, 2013 were $1,725,732, as compared to $1,213,805 for the same period of 2012, representing an increase of $511,927 or 42%. The increase in general and administrative expenses was primarily due to an increase of $212,834 in non-cash share-based payments and an increase of $299,093 in other expenses due to the establishment of a dedicated regulatory affairs team and one-time legal and other expenses associated with strategic and product development and related activities.

Product development and clinical trial expenses for the three months ended March 31, 2013 were $988,571, as compared to $833,984 for the same period in 2012, representing an increase of $154,587 or 19%. The increase in product development and clinical trial expenses was primarily due to an increase in development expenses as the Company invested in its two major new product initiatives: the COSIRA clinical trial for the Neovasc Reducer and 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% between the three months ended March 31, 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.

Quarterly Information

The following is a summary of selected unaudited financial information for the eight fiscal quarters to March 31, 2013:

	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012
REVENUE				
Product sales	$ 590,045	$ 866,866	$ 946,117	$ 742,226
Contract manufacturing	575,149	677,695	527,557	458,359
Consulting services	844,186	921,054	532,266	434,023
	2,009,380	2,465,615	2,005,940	1,634,608
COST OF GOODS SOLD	1,235,281	1,491,125	1,275,096	994,809
GROSS PROFIT	774,099	974,490	730,844	639,799
EXPENSES				
Selling expenses	21,007	36,560	40,503	48,783
General and administrative expenses	1,725,732	863,476	937,202	943,467
Product development and clinical trials expenses	988,571	1,029,295	950,275	1,166,502
	2,735,310	1,929,331	1,927,980	2,158,752
OPERATING LOSS	(1,961,211)	(954,841)	(1,197,136)	(1,518,953)
OTHER INCOME (EXPENSE)	101,055	4,592,033	(9,778)	2,598
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	$ (1,860,156)	$ 3,637,192	$ (1,206,914)	$ (1,516,355)
BASIC AND DILUTED LOSS PER SHARE	$ (0.04)	$ 0.08	$ (0.03)	$ (0.03)

	March 31, 2012	December 31, 2011	September 30, 2011	June 30, 2011
REVENUE				
Product sales	$ 709,642	$ 665,034	$ 391,197	$ 178,412
Contract manufacturing	341,447	755,770	528,467	234,960
Consulting services	661,902	359,585	506,383	466,033
	1,712,991	1,780,389	1,426,047	879,405
COST OF GOODS SOLD	879,272	1,179,364	936,879	410,957
GROSS PROFIT	833,719	601,025	489,168	468,448
EXPENSES				
Selling expenses	43,227	47,113	48,154	49,842
General and administrative expenses	1,213,805	790,900	774,829	624,262
Product development and clinical trials expenses	833,984	733,055	627,790	806,059
	2,091,016	1,571,068	1,450,773	1,480,163
OPERATING LOSS	(1,257,297)	(970,043)	(961,605)	(1,011,715)
OTHER INCOME (EXPENSE)	(7,994)	(9,387)	70,098	(4,070)
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	$ (1,265,291)	$ (979,430)	$ (891,507)	$ (1,015,785)
BASIC AND DILUTED LOSS PER SHARE	$ (0.03)	$ (0.02)	$ (0.02)	$ (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 second quarter of 2012 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 March 31, 2013, the Company had cash and cash equivalents of $4,859,604 as compared to cash and cash equivalents of $690,050 at March 31, 2012.

Cash used in operating activities for the three months ended March 31, 2013 was $880,891, as compared to $607,797 for the same period in 2012. The increase in cash used for the three months ended March 31, 2013, compared to the same period of 2012, is principally due to an increase in operating expenses offset by a decrease in cash absorbed by working capital items. For the three months ended March 31, 2013, operating expenses were $785,333, compared to $487,483 for the same period in 2012, as more expenses were incurred in general and administrative activities and research and development activities, and working capital items absorbed cash of $93,198, compared to working capital items absorbed cash of $128,898 for the same period in 2012.

Net cash invested in capital assets was $314,635 for the three months ended March 31, 2013, compared to net cash invested in capital assets of $93,906 for the same period in 2012. 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. During the first quarter of 2013 and 2012, 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 $194,010 for the three months ended March 31, 2013, compared to cash used by financing activities of $4,334 for the same period of 2012. On February 20, 2013 and March 20, 2013, the Company issued 15,000 and 27,500 common shares, respectively, upon the exercise of warrants issued as part of the Company's August 2011 financing. Proceeds from the exercise of the 42,500 warrants amounted to $53,125.

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 year 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 the year-end were denominated in United States dollars, as the proceeds from the sale of the license to LeMaitre Vascular Inc. was received in that currency. The Company is exposed to foreign currency fluctuations on $4,786,776 of its cash and cash equivalents held in United States dollars and European euros.

SUBSEQUENT EVENTS

On April 24, 2013 warrant holders exercised 1,835,000 common share purchase warrants issued as part of the Company's August 2011 financing, resulting in proceeds of $2,293,750 to Neovasc. In that financing, Neovasc issued units that included 2,360,250 whole warrants entitling the holders to purchase one common share of Neovasc stock at a price of $1.25 for a period of up to two years after the close of the financing. Of the total available warrants from the August 2011 financing, 81% have been exercised by their holders. The remaining 457,750 warrants will expire on August 16, 2013, if they are not exercised before that date.

OUTSTANDING SHARE DATA

As at March 31, 2013, the Company had 45,904,230 common voting shares issued and outstanding. Further, the following securities are convertible into common shares of the Company: 8,585,999 stock options with a weighted average price of $1.01 and 2,292,750 share purchase warrants with a weighted average exercise price of $1.25. The fully diluted share capital of the Company at March 31, 2013 is 56,782,979.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off balance sheet arrangements.

RELATED PARTY TRANSACTIONS

There were no transactions with related parties during the three months ended March 31, 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 months ended March 31, 2013.

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.