Neovasc Inc.
Management's Discussion and Analysis

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

(Expressed in U.S. Dollars)

Q3 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") covers the unaudited condensed interim consolidated financial statements of Neovasc Inc. (the "Company", "Neovasc", "we", "us", or "our") for the three and nine months ended September 30, 2016 and 2015.

This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements and notes thereto for the three and nine months ended September 30, 2016 and 2015 (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 years ended December 31, 2015 and 2014.

The Company has prepared this MD&A with reference to National Instrument 51-102 – Continuous Disclosure Obligations of the Canadian Securities Administrators. The Company is permitted to prepare this MD&A in accordance with the disclosure requirements of Canada, which requirements are different than those of the United States.

The names Tiara™ ("Tiara"), Neovasc Reducer™ ("Reducer") and Peripatch™ ("Peripatch") are our trademarks; other trademarks, product names and company names appearing herein are the property of their respective owners.

All financial information is prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and is expressed in U.S. dollars. The Company presents its financial statements in U.S. dollars.

Additional information about the Company, including the Company's consolidated financial statements and Annual Information Form, are available on SEDAR at www.sedar.com and in the Company's Annual Report on Form 40-F, which is available on the website of the U.S. Securities and Exchange Commission at www.sec.gov.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS AND RISK FACTORS

This MD&A contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and applicable Canadian securities laws. The words "expect", "anticipate", "may", "will", "estimate", "continue", "intend", "believe" and other similar words or expressions are intended to identify such forward-looking statements. Forward-looking statements in this MD&A include, but are not limited to, statements relating to:

- our ability, in an appeal of the verdict, to reduce the amount of the $70 million damages award made following a trial in Boston, Massachusetts and $21 million enhanced damages award following post-trial hearings on certain trade secret claims made by CardiAQ Valve Technologies Inc. ("CardiAQ") (see "Contractual Obligations and Contingencies" herein);
- the conduct or possible outcomes of any actual or threatened legal proceedings, including the Company's ongoing litigation with CardiAQ and the litigation in the securities class action styled Grobler v. Neovasc, Inc. et al. (see "Contractual Obligations and Contingencies" herein);
- the amount of estimated additional litigation expenses required to defend the Company in lawsuits filed by CardiAQ;
- the Company's expectations with respect to the length of the appellate process;
- our need for significant additional financing and our estimates regarding our capital requirements and future revenues, expenses and profitability;
- our ability to continue as a going concern;
- our intention to expand the indications for which we may market the Tiara (which does not have regulatory approval and is not commercialized) and the Reducer (which has CE Mark approval for sale in the European Union);
- clinical development of our products, including the results of current and future clinical trials and studies;
- our intention to apply for CE Mark approval for the Tiara in the next one to two years;
- our plans to develop and commercialize products, including the Tiara, and the timing and cost of these development programs;
- our strategy to refocus our business towards development and commercialization of the Reducer and the Tiara;
- our ability to replace declining revenues from the tissue business with revenues from the Reducer and the Tiara in a timely manner;
- whether we will receive, and the timing and costs of obtaining, regulatory approvals;

- the cost of post-market regulation if we receive necessary regulatory approvals;
- our ability to enroll patients in our clinical trials, studies and compassionate use cases in Canada, the United States and in Europe;
- our intention to continue directing a significant portion of our resources into sales expansion;
- the expected decline of consulting services revenue in the long term as our consulting customers become contract manufacturing customers or cease being customers;
- our ability to get our products approved for use;
- the benefits and risks of our products as compared to others;
- our estimates of the size of the potential markets for our products, including the anticipated market opportunity for the Reducer;
- our potential relationships with distributors and collaborators with acceptable development, regulatory and commercialization expertise and the benefits to be derived from such collaborative efforts;
- sources of revenues and anticipated revenues, including contributions from distributors and other third parties, product sales, license agreements and other collaborative efforts for the development and commercialization of products;
- our creation of an effective direct sales and marketing infrastructure for approved products we elect to market and sell directly;
- the rate and degree of market acceptance of our products;
- the timing and amount of reimbursement for our products; and
- the impact of foreign currency exchange rates.

Forward-looking statements are based on estimates and assumptions made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors that the Company believes are appropriate in the circumstances. Many factors could cause the Company's actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements, including, without limitation:

- risks relating to our litigation with CardiAQ, including the Company's ability to stay the payment of the awards in the CardiAQ litigation and its ability to successfully appeal the validity of the awards as well as the rulig on inventorship, which create material uncertainty and which cast substantial doubt on our ability to continue as a going concern;
- the conduct or possible outcomes of any actual or threatened legal proceedings, which are inherently uncertain, and which could divert our resources and result in the payment of significant monetary damages and other remedies;
- the potential impact on the Company's business of an adverse decision in the appeal on the question of inventorship even if the Company prevails in its appeal of the awards;
- the potential changes in circumstance relating to the Company's financing requirements, whether as a result of the CardiAQ litigation, unforeseen circumstance or otherwise;
- our ability to raise additional funding;
- the potential benefits of the Reducer and the Tiara as compared with other products;
- successful enrollment of patients in studies and trials for the Reducer and the Tiara;
- results of the trials and studies for the Reducer and the Tiara that meet our expectations;
- our receipt of any required local and institutional regulatory approvals and the timing and costs of obtaining such approvals;
- European enrollment in our clinical trials, studies and compassionate use cases and the success of applications in Europe;
- our ability to protect our intellectual property;
- our retention and hiring of qualified employees in the future;
- the manufacturing capacity of third-party manufacturers for our products;
- the competition we face from other companies, research organizations, academic institutions and government agencies, and the risks such competition pose to our products;
- the success and pricing of other competing therapies that may become available;
- the confidential information we possess about patients, customers and core business functions, and the information technologies we use to protect it;
- our ability to establish, maintain and defend intellectual property rights in our products;

- government legislation in all countries that we already, or hope to, sell our products in, and its effect on our ability to set prices, enforce patents and obtain product approvals or reimbursements;
- changes in business strategy or development plans; and
- general economic and business conditions, both nationally and in the regions in which we operate.

Such statements reflect our current views with respect to future events and are subject to risks and uncertainties and are necessarily based upon a number of estimates and assumptions that, while considered reasonable by us, are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies, many of which, with respect to future events, are subject to change. The material factors and assumptions used by us to develop such forward-looking statements include, but are not limited to:

- our ability, in an appeal of the verdict, to reduce the amount of the $70 million damages award and $21 million enhanced damages award and reverse the ruling on inventorship in connection with our litigation with CardiAQ;
- our ability to continue as a going concern;
- our regulatory and clinical strategies will continue to be successful;
- our current positive interactions with regulatory agencies will continue;
- recruitment to clinical trials and studies will continue;
- the time required to enroll, analyze and report the results of our clinical studies will be consistent with projected timelines;
- current and future clinical trials and studies will generate the supporting clinical data necessary to achieve approval of marketing authorization applications;
- the regulatory requirements for approval of marketing authorization applications will be maintained;
- our current good relationships with our suppliers and service providers will be maintained;
- our estimates of market size and reports reviewed by us are accurate;
- our efforts to develop markets and generate revenue from the Reducer will be successful;
- genericisation of markets for the Tiara and the Reducer will develop; and
- capital will be available on terms that are favorable to us.

By their very nature, forward-looking statements or information involve known and unknown risks, uncertainties and other factors that may cause our actual results, events or developments, or industry results, to be materially different from any future results, events or developments expressed or implied by such forward-looking statements or information. In evaluating these statements, prospective purchasers should specifically consider various factors, including the risks outlined in the “Risk Factors” section of our Annual Information Form, which is available on SEDAR at www.sedar.com and in our Annual Report on Form 40-F, which is available on the website of the U.S. Securities and Exchange Commission at www.sec.gov and the additional risks relating to the litigation with CardiAQ (see “Contractual Obligations and Contingencies” herein). These factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. Should one or more of these risks or uncertainties or a risk that is not currently known to us materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described herein. These forward-looking statements are made as of the date of this MD&A and we do not intend, and do not assume any obligation, to update these forward-looking statements, except as required by law. Investors are cautioned that forward-looking statements are not guarantees of future performance and investors are cautioned not to put undue reliance on forward-looking statements due to their inherent uncertainty.

Date: November 14, 2016

OVERVIEW

Description of the Business

Neovasc is a specialty medical device company that develops, manufactures and markets products for the rapidly growing cardiovascular marketplace. Its products include the Tiara technology in development for the transcatheter treatment of mitral valve disease and the Reducer for the treatment of refractory angina.

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. ("LeMaitre"), 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 and on January 1, 2015 ANG was amalgamated into NMI.

In July 2008, Neovasc acquired two pre-commercial vascular device companies based in Israel: Neovasc Medical Ltd. ("NML") and B-Balloon Ltd. ("BBL"). NML developed and owned intellectual property related to the Reducer, a novel catheter-based treatment for refractory angina, a debilitating condition resulting from inadequate blood flow to the heart muscle. In 2009, Neovasc ceased all activities related to BBL's technologies and is in the process of voluntarily liquidating BBL.

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

Product Portfolio

Tiara

In the second quarter of 2011, the Company formally initiated a new project to develop the Tiara, a product for treating mitral valve disease. The Tiara is in preclinical / early clinical stage 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 (in 2014 it was estimated that mitral regurgitation affects approximately 4.1 million people in the United States and the European Union). Mitral regurgitation is often severe and can lead to heart failure and death. Unmet medical need in these patients is high. Currently, a significant percentage of patients with severe mitral regurgitation are not good candidates for conventional surgical repair or replacement due to frailty or comorbidities. There are approximately 1.7 million patients suffering from significant mitral regurgitation in the United States. Currently there is no transcatheter mitral valve replacement device approved for use in any market.

Clinical experience to date has been with the 35mm Tiara valve and 40mm Tiara valve. The 45mm Tiara valve is still under development. Additional sizes allow Neovasc to expand treatment to a broader population of patients.

To date, twenty patients have been implanted with the Tiara in early feasibility and compassionate use cases and Neovasc believes that early results have been encouraging with one patient now over 2.5 years post implant and another over 2 years. The Tiara has been successfully implanted in both functional and degenerative mitral regurgitation patients, as well as patients with pre-existing prosthetic aortic valves and mitral surgical rings.

The results from these early feasibility and compassionate use cases have been instrumental in helping to demonstrate the potential of the Tiara as well as refining the implantation procedure, patient selection criteria and the device itself. Careful patient selection continues to be critical as the Company and clinical community continue to learn more about treating this population of very sick patients.

While many challenges remain prior to achieving commercial production (including, but not limited to, positive clinical trial and study results and obtaining regulatory approval from the relevant authorities), the Company believes the Tiara is being widely recognized as one of the leading devices exploring this new treatment option for patients who are unable or unsuited to receive an open heart surgical valve replacement or repair. There are several other transcatheter mitral valve

replacement devices in development by third parties; some of which have been implanted in early feasibility type studies with varying results.

Neovasc believes that there are several unique attributes of the Tiara that may provide advantages over other approaches to mitral valve replacement. There is no certainty that the Tiara will successfully proceed through clinical testing and ultimately receive regulatory approval to treat these patients, nor is it possible to determine at this time if any of the other development stage devices will succeed in obtaining regulatory approval.

The Tiara valve is made up of two major components: the leaflets and skirt, which are made from the Company's Peripatch tissue, and the nitinol frame (to which the leaflets and skirt are attached), which is manufactured by a well-established specialty manufacturer in the medical device industry. If this supplier were unable to provide the nitinol frame in the future, it would seriously impact the further development of the Tiara. The Tiara delivery system is manufactured in-house by the Company using components that are readily available.

Regulatory Status

The Tiara is an early-stage development product without regulatory approvals in any country. The Company intends to continue to fund development of the product as cash flow allows and anticipates applying for CE Mark approval in Europe in the next one to two years. As at September 30, 2016 the Company has spent approximately $35.1 million developing the product and anticipates that it may require an additional $25-30 million as it moves forward to achieve CE Mark. There is no assurance that European regulatory approval will be granted in the time frame anticipated by management, or granted at any time in the future. There is no expectation that this product will be revenue-generating in the near term, although management believes that the product is addressing an important unmet clinical need and that the demand for the product is high.

On October 9, 2014 Neovasc announced that it has received conditional investigational device exemption approval from the U.S. Food and Drug Administration ("FDA") to initiate the U.S. arm of its TIARA-I study for the Tiara. The TIARA-I study is a multinational, multicenter early feasibility study being conducted to assess the safety and performance of the Tiara mitral valve system and implantation procedure in high-risk surgical patients suffering from severe mitral regurgitation. This FDA conditional approval allows clinical investigators to begin enrolling patients at participating U.S. medical centers once local hospital and related approvals are in place. This is an important step towards the Tiara becoming one of the first transcatheter mitral valve replacement devices available for treating U.S. patients. The TIARA-I study will enroll up to 30 patients globally and is being overseen by a multidisciplinary committee of internationally recognized physicians. The Tiara has also been implanted under compassionate use approvals in Canada and Europe.

Reducer

The Reducer is a treatment for patients with refractory angina, a painful and debilitating condition that occurs when the coronary arteries deliver an inadequate supply of blood to the heart muscle, despite treatment with standard revascularization or cardiac drug therapies. It affects approximately 620,000 individuals in the United States who are not eligible for conventional treatments and typically lead severely restricted lives as a result of their disabling symptoms, and its incidence is growing. The Reducer provides relief of angina symptoms by altering blood flow in the heart's venous system, thereby increasing the perfusion of oxygenated blood to ischemic areas of the heart muscle.

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 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 the right atrium of the heart. Pilot clinical studies demonstrate that the Reducer provides significant relief of chest pain in refractory angina patients. There are thousands of refractory angina patients in the United States 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 market opportunity for the Reducer product. If physicians adopt the 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 targeting a currently untreatable patient population. A refractory patient by definition is resistant to other therapies. A patient who has refractory angina is not a surgical candidate, cannot benefit from existing interventional cardiology therapies and is not receiving adequate relief from available drug regimens to manage their chest pain. As such there are currently no direct competitors to the Reducer as the patient will have exhausted all other treatment options before the Reducer is considered. Once the Reducer is established as a standard of care for the refractory angina patient,

Neovasc believes that the Reducer may also be considered for use in the larger population of recurrent angina patients (patients who are receiving repeat treatments for angina pain) and thus increase its market potential.

The Company has completed Coronary Sinus Reducer for Treatment of Refractory Angina clinical trial ("COSIRA") to assess the efficacy of the Reducer device. The COSIRA trial's primary endpoint was a two-class improvement six months after implantation in patients' ratings on the Canadian Cardiovascular Society ("CCS") angina grading scale, a four-class functional classification that is widely used to characterize the severity of angina symptoms and disability. Only patients with severe angina, CCS Class 3 or 4, were enrolled in the COSIRA trial. The COSIRA trial analysis showed that the study met the primary endpoint, with patients receiving the Reducer achieving a statistically significant improvement in CCS scores (two classes or better) compared to patients receiving a sham control (18 of 52 (34.6%) of the Reducer patients improved $\geqslant$ 2 CCS classes compared to 8 of 52 (15.4%) of the control patients (p-value = 0.024)). The analysis also showed that patients treated with the Reducer showed a statistically significant improvement of one or more CCS classes compared to the sham control patients (37 of 52 (71.2%) of the Reducer patients showed this improvement compared to 22 of 52 (42.3%) of the control patients (p-value = 0.003)). The COSIRA trial results were published in the New England Journal of Medicine in February 2015.

The Reducer is an hourglass-shaped, balloon-expandable, stainless steel, bare metal device, which is implanted in the coronary sinus, creating a restriction in venous outflow from the myocardium (the muscular layer of the heart wall). It is implanted using conventional percutaneous, or needle puncture, techniques. The Reducer is provided sterile and pre-loaded on a balloon catheter system. The system is 9 French sheath compatible and operates over a .035 inch 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 20 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 was demonstrated by a number of analogous approaches used in the past that achieved positive 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 minimally invasive catheter that is consistent with contemporary medical practice.

The Reducer has demonstrated excellent results in multiple animal studies and in a clinical trial of fifteen 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. During this period, the Reducer appeared safe and well tolerated in these patients. More recently, the Company completed the COSIRA trial – a multi-center, double blinded sham controlled study intended to assess the safety and efficacy of the Reducer in a rigorous, controlled manner. The results of COSIRA trial were positive and are discussed in more detail below. More recently, additional studies conducted by third parties and showing positive results from Reducer implantations have been published and presented in medical forums. It is anticipated that as the commercial use of the Reducer continues to expand, additional third party studies, investigations and presentations will be undertaken. If the results from such third party activities continue to show positive results from the product they will provide additional data to support expanded adoption of Reducer for the intended patient population.

Following this positive data from the COSIRA trial, the Company initiated a pilot launch of the Reducer in select European markets in early 2015. The Company has signed distribution agreements in a number of European countries as well as Saudi Arabia and has initial sales into these countries. Based on the initial results from the targeted launch, Neovasc is presently developing an expanded sales plan and strategy for 2017 and beyond. It is anticipated that sales of the product in the United States would follow obtaining U.S. regulatory approval, if such approval is granted, as described further below.

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 has completed the COSIRA trial that is expected to provide data to support broad commercialization of the Reducer product. The COSIRA trial is a double-blinded, randomized, sham controlled, multi-center trial of 104 patients at eleven clinical investigation sites. The study completed enrollment in early 2013 and on November 6, 2013, the Company reported topline results for its COSIRA trial assessing the efficacy and safety of the Reducer. In February 2015, the COSIRA trial results were published in the New England Journal of Medicine. As discussed above, the data shows that the Reducer achieved its primary endpoint, significantly improving the symptoms and functioning of patients disabled by previously untreatable refractory angina. The COSIRA trial also confirmed that the Reducer is safe and well tolerated. The safety and efficacy data from the randomized, controlled COSIRA trial is consistent with results seen in previous non-randomized pilot studies of the Reducer. Placement of the Reducer is performed using a minimally-invasive transvenous procedure that is similar to implanting a coronary stent and takes approximately 20 minutes. Neovasc has begun discussions with the FDA on the development of a randomized investigational device exemption trial in the United States. The Company is currently evaluating the timing for starting this trial. U.S. marketing approval is expected about two to four years after the clinical trial begins. There is no assurance that U.S. regulatory approval will be granted in the time frame anticipated by management, or granted at any time in the future. The cost of the U.S. clinical trial is expected to be $15-20 million.

Tissue Products

Neovasc produces 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). 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 heart valve leaflets.

The product line includes Peripatch surgical patches, which are rectangular patches made from bovine tissue, applied as internal bandages to repair weak or damaged organs or vessels. On October 31, 2012, Neovasc amended its agreement with 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 amendment, 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 ceased manufacturing surgical patches for LeMaitre in the second quarter of 2015.

The Company also provides a range of custom Peripatch products to industry customers for incorporation into their own products, such as transcatheter heart valves and other specialty cardiovascular devices. These include Peripatch tissue fabricated from bovine 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, such as for transcatheter heart valve leaflets. This often includes providing tissue in custom shapes or molded to three dimensional configurations. The Company also provides product development and specialized manufacturing services related to Peripatch tissue-based products such as transcatheter heart valves. The Company actively consults with a range of heart valve programs in order to refine their products and provide tissue to meet their needs and also provides transcatheter valve prototyping, pilot manufacture and commercial manufacture services to a range of customers.

Although the generic method of processing tissue in a way similar to the Peripatch is widely used, the Company's competitive position stems from its own proprietary process that is supported by a 25-year implant history for use as a surgical heart valve. A company that establishes its own process will have to go through a significant and costly series of studies to prove that their process produces tissue that is suitable as a medical device. The Peripatch product has already met these requirements and has already been validated through many years of successful use in multiple applications. Neovasc's customers make the decision to use the Company's tissue rather than take on the demanding and lengthy process of developing their own tissue processing operation. As stated elsewhere herein, Neovasc is not aware of any other company in the world that both provides such tissue and partners with customers to provide specialized heart valve development and manufacturing services.

The basic Peripatch technology was established over 25 years ago by a third party that was a predecessor company to NMI, when the material was used to fashion the leaflets and other components in surgical heart valves. Neovasc's processing of the material is a trade secret and proprietary to the Company. However, the use of the product in transcatheter minimally invasive heart valves and other medical devices such as artificial hearts are new uses for the technology. Appropriate testing is conducted to ensure the appropriateness and durability of the tissue for a new application before the medical device can be approved for use, and there is some additional risk when applying the technology to a new product or when amending to, or adding to, the fixation process to meet a new demand, such as for three dimensional shape setting of the tissue.

The supply of Peripatch products and the associated product development, consulting and specialized manufacturing services related to Peripatch tissue-based products represents 89% of the Company's current revenues.

Regulatory Status

While the Company does not maintain stand-alone marketing approval for its tissue products, a number of third-party products which incorporate Peripatch tissue are approved for sale (i.e. such products have obtained regulatory approval, such as a CE Mark or Canadian medical device license) or have pending approvals in various markets. There is no assurance that further regulatory approvals for third-party products will be obtained.

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 the Company's 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.

Product Development

Product development at the Company is currently focused on completing commercialization of the Reducer as well as clinical stage and pre-commercialization development work on the Tiara. The Company may also investigate other potential new internal or external projects that leverage the Company's existing technologies, infrastructure and expertise.

TRENDS, RISKS AND UNCERTAINTIES

The Company has incurred operating and comprehensive losses of $29,135,086 and $28,836,990 for the three months ended September 30, 2016 respectively (three months ended September 30, 2015: $7,633,170 and $12,851,490) and operating and comprehensive losses of $123,708,684 and $119,492,946 for the nine months ended September 30, 2016 respectively (nine months ended September 30, 2015: $19,346,882 and $25,823,566) and has a deficit of $238,997,397 as at September 30, 2016 compared to a deficit of $115,288,713 as at December 31, 2015. As at September 30, 2016 the Company had $25,480,683 in cash and cash equivalents (as at December 31, 2015: $55,026,171).

On May 19, 2016, following a trial in Boston, Massachusetts, a jury awarded $70 million on certain trade secret claims made by CardiAQ. On October 31, 2016, following post-trial motions in the Federal District Court stemming from the trial jury's verdict, a judge awarded an additional $21 million in enhanced damages to the jury's award. The Company recognized a damages provision in the amount of $70 million as at June 30, 2016 and $91 million as at September 30, 2016. Unless the Company is successful in an appeal of the verdict, or otherwise is successful in reducing the amount of the $91 million awards, the Company will require significant additional financing in order to pay the damages and to continue to operate its business. There can be no assurance that the Company will be successful in its post-trial motions and/or appeal of the verdict or that such financing will be available on favorable terms, or at all.

The Company intends to continue to vigorously defend itself in the litigation with CardiAQ and so the outcome of these matters, including whether the Company will be required to pay some or all of the jury award of $70 million and enhanced damages award of $21 million, is not currently determinable. Interest, costs, and fees may be due on any award granted by the Court. The determination of the interest due, if any, would be the subject of further rulings from the Court, including rulings on pre-judgment interest. CardiAQ has estimated such pre-judgment interest at approximately $20.3 million. Neovasc will dispute whether CardiAQ is entitled to any pre-judgment interest. Similarly, the determination of any

attorneys' fees and the costs of litigation would be the subject of further rulings from the Court. The amounts of any attorneys' fees and costs are currently undeterminable. Litigation is inherently uncertain. Therefore, until these matters have been resolved to their ultimate conclusion by the appropriate courts, the Company cannot give any assurances as to the outcome. If the Company is unsuccessful in its defense of these claims, including any appeal of the verdict in the Massachusetts litigation with CardiAQ, or is unable to settle the claims in a manner satisfactory to the Company, it may be faced with significant monetary damages that could exceed its resources, the loss of intellectual property rights and damage to its competitive position, which creates material uncertainty and casts substantial doubt about the Company's ability to continue as a going concern (see "Contractual Obligations and Contingencies" herein for a discussion of the CardiAQ litigation and other litigation).

In addition to these litigation matters, the Company may need to raise additional capital prior to the successful commercialization of its products. There is no certainty that the Company's programs will be successfully commercialized or that any required funds will be available to the Company at the time needed or on terms acceptable to the Company.

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 operating 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. 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.

Operating risks include but are not limited to: risks related to the Company's litigation with CardiAQ, including the Company's ability to stay the payment of the payment of the award in the litigation and its ability to successfully appeal the validity of the awards as well as the ruling on inventorship, which creates material uncertainty and casts substantial doubt on the Company's ability to continue as a going concern; the conduct or possible outcomes of any actual or threatened legal proceedings, which are inherently uncertain and which could divert our resources and result in the payment of significant damages and other remedies; the potential impact on the Company's business of an adverse decision in the appeal on the question of inventorship; the potential changes in circumstances relating to the Company's financing requirements, whether as a result of the CardiAQ litigation or otherwise and the continued availability of capital to finance the Company's activities; the clinical success of the Tiara; market acceptance of the Company's technologies and products; litigation risk associated with the Company's intellectual property and the Company's defense and protection thereof; 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 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.

On July 5, 2016, the Company received written notification (the "Notification Letter") from The NASDAQ Stock Market LLC ("Nasdaq") notifying the Company that it is not in compliance with the $1.00 minimum bid price requirement set forth in the Nasdaq Listing Rules. The Company has been provided 180 calendar days, or until January 3, 2017, to regain compliance with Nasdaq Listing Rules. In the event the Company does not regain compliance by January 3, 2017, the Company may be eligible for additional time to regain compliance.

The Company intends to monitor the closing bid price of its common shares between now and January 3, 2017 and intends to cure the deficiency within the prescribed grace period. There is no certainty that the Company will be able to cure the deficiency. If the Company is unable to cure the deficiency within the prescribed grace period or any extension to such grace period the Company may be delisted from the Nasdaq. During this grace period, the Company's common shares will continue to be listed and trade on the Nasdaq.

The Company's business operations are not affected by the receipt of the Notification Letter. The Company is also listed on the Toronto Stock Exchange and the Notification Letter does not affect the Company's compliance status with such listing.

These risk factors and others are described in greater detail in the Company's Annual Information Form, which is available on SEDAR at www.sedar.com and in the Company's Annual Report on Form 40-F, which is available on the website of the U.S. Securities and Exchange Commission at www.sec.gov (see "Cautionary Note Regarding Forward-Looking Statements" herein).

FOREIGN OPERATIONS

The majority of the Company's revenues are derived from product sales in the United States and Europe, primarily denominated in U.S. 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 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 U.S. 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 FINANCIAL INFORMATION

The following discussion should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2016 and 2015.

DISCUSSION OF OPERATIONS AND FINANCIAL CONDITION

Results for the three months ended September 30, 2016 and 2015 follow:

Losses

The operating losses and comprehensive losses for the three months ended September 30, 2016 were $29,135,086 and $28,836,990, respectively, or $0.44 basic and diluted loss per share, as compared with losses of $7,633,170 and $12,851,490, or $0.11 basic and diluted loss per share for the same period in 2015. The $21,501,916 increase in the operating loss incurred for the three months ended September 30, 2016 compared to the same period in 2015 consists of a $21,000,000 damages provision related to the judge award against the Company in its litigation with CardiAQ, in a $1,377,935 increase in foreign exchange and unrealized losses, a $125,857 decrease in interest income, a $94,971 increase in selling expenses, a $87,296 increase in tax expenses, partially offset by a $1,086,141 decrease in general and administrative expenses and a $166,061 decrease in product development and clinical trial expenses. Litigation expenses for the three months ended September 30, 2016 represent a loss of $0.03 basic and diluted loss per share compared to a loss of $0.04 basic and diluted loss per share for the same period in 2015. To date, the Company has incurred significant costs in defending itself in lawsuits filed by CardiAQ. Total litigation expenses since the initial claims were filed in June 2014 are approximately $19.6 million and the Company expects that it may require an additional $5.0 million to cover additional litigation expenses up to and including appellate court, if applicable (see "Contractual Obligations and Contingencies" herein).

Revenues

Revenues for the three months ended September 30, 2016 were $3,034,000 compared to revenues of $2,473,687 for the same period in 2015, an increase of 23%. The Company is focusing its business away from its traditional revenue

streams towards development and commercialization of its own products, the Reducer and the Tiara. The Company started its sales of the Reducer in the first quarter of 2015 as it initiated its focused commercialization of the product in Europe. The Company ceased its production of surgical patches for LeMaitre (product sales) in the second quarter of 2015.

Sales of the Reducer for the three months ended September 30, 2016 were $262,546, compared to $159,394 for the same period in 2015, representing an increase of 65%. The Reducer has seen steady quarter over quarter revenue growth since its launch in the first quarter of 2015. The success of the commercialization of the Reducer will be dependent on the amount of internal resources allocated to the product, obtaining appropriate reimbursement codes in various territories and correctly managing the referrals process.

Product sales for the three months ended September 30, 2016 were $nil, compared to $10,228 for the same period in 2015. Product sales are solely comprised of sales of surgical patches to LeMaitre. Neovasc ceased manufacturing surgical patches in June 2015.

Contract manufacturing revenues for the three months ended September 30, 2016 were $1,543,516, compared to $737,336 for the same period in 2015, representing an increase of 109%. The increase in revenue for the three months ended September 30, 2016 compared to the same period in 2015 is primarily due to the clearing of temporary delay in shipping to a single customer during the period. Shipping had been put on hold in the previous period which resulted in an increase in inventory and shipments at the start of the period. Such a delay highlights the risk associated with the concentration of revenue into fewer larger accounts but the Company still anticipates that contract manufacturing will continue to grow in the long term.

Revenues from consulting services for the three months ended September 30, 2016 were $1,227,938, compared to $1,566,729 for the same period in 2015, representing a decrease of 22%. The Company anticipates that its consulting services revenue will decline in the long term as its consulting customers continue to transition to becoming contract manufacturing customers or cease being customers as they move manufacturing in house. To highlight this trend, the Company reports that a contract with a customer representing approximately 5% of year to date revenue is in the process of being wound up and will terminate at the end of 2016.

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. Some 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 September 30, 2016 was $2,201,440, compared to $1,573,068 for the same period in 2015. The overall gross margin for the three months ended September 30, 2016 was 27%, compared to 36% gross margin for the same period in 2015. The decrease in the margin can be attributed to an increase in the cost of sales for contract manufacturing, and a change in product mix toward lower margin contract manufacturing product. The Company has also seen its consulting services revenue margins decline as its ability to charge higher fees for these services has decreased as the transcatheter aortic valve market has matured. In addition, the Company is experiencing higher cost of goods sold as it has implemented a rigorous commercial stage quality system required to meet the expectations of its more advanced customers. These increases are not productive improvements and result in an overall downward trend in margins.

Expenses

Total expenses for the three months ended September 30, 2016 were $8,418,400, compared to $9,575,631 for the same period in 2015, representing a decrease of $1,157,231 or 9%. The decrease in total expenses for the three months ended September 30, 2016 compared to the same period in 2015 reflects a $1,086,141 decrease in general and administrative expenses, a $166,061 decrease in product development and clinical trial expenses, and a $94,971 increase in sales and marketing expenses as the Company expands its commercialization activities of the Reducer in Europe.

Selling expenses for the three months ended September 30, 2016 were $208,884, compared to $113,913 for the same period in 2015, representing an increase of $94,971, or 83%. The increase in selling expenses for the three months ended September 30, 2016 compared to the same period in 2015 reflects an increase in costs incurred for commercialization activities related to the Reducer. The Company expects to continue to increase its selling expenses in 2016 as it continues its commercialization of the Reducer in select countries in Europe.

General and administrative expenses for the three months ended September 30, 2016 were $3,466,825, compared to $4,552,966 for the same period in 2015, representing a decrease of $1,086,141 or 24%. The decrease in general and administrative expenses for the three months ended September 30, 2016 compared to the same period in 2015 can be substantially explained by a $923,541 decrease in litigation expenses and a decrease in other expenses of $162,600.

Product development and clinical trial expenses for the three months ended September 30, 2016 were $4,742,691, compared to $4,908,752 for the same period in 2015, representing a decrease of $166,061, or 3%. The decrease in product development and clinical trial expenses for the three months ended September 30, 2016 was due to a $465,210 decrease in other research and development expenses and a $253,761 decrease in share-based payments, offset by a $498,480 increase in cash-based employee expenses as the Company hired additional staff to advance product development and a $54,430 increase in depreciation.

The Company's expenses are subject to inflation and cost increases. Salaries and wages have increased on average by 4% in the three months ended September 30, 2016 compared to the same period in 2015. The Company has not seen a material increase in the price of any of the components used in the manufacture of its products and services.

Other Loss

The other loss for the three months ended September 30, 2016 was $21,461,950, compared to other income of $1,041,842 for the same period in 2015. As at September 30, 2016 the Company recognized a damages provision of $21 million for enhanced damages on certain trade secret claims made by CardiAQ (see "Contractual Obligations and Contingencies" herein). In addition, during the three months ended September 30, 2016 the Company had an increase in foreign exchange and unrealized losses of $1,377,935 and a decrease in interest income of $125,857 compared to the same period in 2015.

Tax Expense

The tax expense for the three months ended September 30, 2016 was $87,296, compared to $nil for the same period in 2015. Neovasc (US) Inc. was established in 2015 to provide clinical trial services to Neovasc Medical Inc. The cross border intercompany charges from Neovasc (US) Inc. to Neovasc Medical Inc. created a taxable profit in Neovasc (US) Inc. and U.S. federal and state taxes were charged.

Results for the nine months ended September 30, 2016 and 2015 follow:

Losses

The operating losses and comprehensive losses for the nine months ended September 30, 2016 were $123,708,684 and $119,492,946 respectively, or $1.85 basic and diluted loss per share, as compared with losses of $19,346,882 and $25,823,566, or $0.30 basic and diluted loss per share for the same period in 2015. The $104,469,226 increase in the operating loss incurred for the nine months ended September 30, 2016 compared to the same period in 2015 consists of a $91 million damages provision related to a jury award of $70 million and enhanced damages of $21 million against the Company in its litigation with CardiAQ, a $6,306,960 increase in general and administrative expenses (of which $6,649,784 relates to an increase in litigation expenses), a $3,464,718 increase in foreign exchange and unrealized losses, a $1,910,073 increase in product development and clinical trial expenses, and a $997,018 reduction in gross margin. The damages provision for the nine months ended September 30, 2016 represent a loss of $1.36 basic and diluted loss per share compared to a loss of $nil basic and diluted loss per share for the same period in 2015. Litigation expenses for the nine months ended September 30, 2016 represent a loss of $0.18 basic and diluted loss per share compared to a loss of $0.08 basic and diluted loss per share for the same period in 2015.

Revenues

Revenues for the nine months ended September 30, 2016 were $6,751,674 compared to revenues of $7,705,894 for the same period in 2015, representing a decrease of 12%.

Sales of the Reducer for the nine months ended September 30, 2016 were $722,433, compared to $334,399 for the same period in 2015, representing an increase of 116%. The Reducer has seen steady quarter over quarter revenue growth since in launch in the first quarter of 2015.

Product sales for the nine months ended September 30, 2016 were $nil, compared to $353,736 for the same period in 2015. Product sales are solely comprised of sales of surgical patches to LeMaitre. Neovasc ceased manufacturing surgical patches in June 2015.

Contract manufacturing revenues for the nine months ended September 30, 2016 were $2,391,136, compared to $2,273,114 for the same period in 2015, representing an increase of 5%.

Revenues from consulting services for the nine months ended September 30, 2016 were $3,638,105, compared to $4,744,645 for the same period in 2015, representing a decrease of 23%. The Company anticipates that its consulting services revenue will decline in the long term as its consulting customers continue to transition to becoming contract manufacturing customers or cease being customers as they move manufacturing in house.

Cost of Goods Sold

The cost of goods sold for the nine months ended September 30, 2016 was $5,038,792, compared to $4,995,994 for the same period in 2015. The overall gross margin for the nine months ended September 30, 2016 was 25%, compared to 35% gross margin for the same period in 2015. The decrease in the margins can be attributed to a change in revenue composition. Consulting service revenue decreased compared to the same period in 2015 and contract manufacturing sales increased compared to the same period in 2015 which has a lower margin than consulting services.

Expenses

Total expenses for the nine months ended September 30, 2016 were $31,806,772, compared to $23,398,047 for the same period in 2015, representing an increase of $8,408,725 or 36%. The increase in total expenses for the nine months ended September 30, 2016 compared to the same period in 2015 reflects a $191,692 increase in sales and marketing expenses as the Company expands its commercialization activities of the Reducer in Europe, a $6,306,960 increase in general and administrative expenses (of which $6,649,784 relates to an increase in litigation expenses) and a $1,910,073 increase in product development and clinical trial expenses to advance the Tiara and the Reducer development programs.

Selling expenses for the nine months ended September 30, 2016 were $554,905, compared to $363,213 for the same period in 2015, representing an increase of $191,692, or 53%. The increase in selling expenses for the nine months ended September 30, 2016 compared to the same period in 2015 reflects an increase in costs incurred for commercialization activities related to the Reducer.

General and administrative expenses for the nine months ended September 30, 2016 were $16,721,354, compared to $10,414,394 for the same period in 2015, representing an increase of $6,306,960, or 161%. The increase in general and administrative expenses for the nine months ended September 30, 2016 compared to the same period in 2015 can be substantially explained by a $6,649,784 increase in litigation expenses and a decrease of $342,824 in all other expenses.

Product development and clinical trial expenses for the nine months ended September 30, 2016 were $14,530,513, compared to $12,620,440 for the same period in 2015, representing an increase of $1,910,073, or 15%. The increase in product development and clinical trial expenses for the nine months ended September 30, 2016 was due to a $1,172,750 increase in cash-based employee expenses as the Company hired additional staff to advance product development and a $1,524,934 increase in other expenses as the Company invested in its two major new product initiatives, offset by a $907,116 decrease in share-based payments.

Other Loss

The other loss for the nine months ended September 30, 2016 was $93,429,404, compared to other income of $1,341,265 for the same period in 2015. As at September 30, 2016 the Company recognized a damages provision of $91 million after a jury award of $70 million and enhanced damages award of $21 million on certain trade secret claims made by CardiAQ (see “Contractual Obligations and Contingencies” herein). In addition, during the nine months ended September 30, 2016 the Company had an increase in foreign exchange and unrealized losses of $3,464,718 and a decrease in interest income of $308,489 compared to the same period in 2015.

Tax Expense

The tax expense for the nine months ended September 30, 2016 was $185,390, compared to $nil for the same period in 2015 as a result of cross border intercompany charges from Neovasc (US) Inc. to Neovasc Medical Inc.

QUARTERLY INFORMATION

The following is a summary of selected unaudited financial information for the eight fiscal quarters to September 30, 2016:

	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015
REVENUE				
Reducer	$ 262,546	$ 246,122	$ 213,765	$ 192,013
Product sales	-	-	-	-
Contract manufacturing	1,543,516	240,837	606,783	963,864
Consulting services	1,227,938	1,223,973	1,186,194	1,068,169
	3,034,000	1,710,932	2,006,742	2,224,046
COST OF GOODS SOLD	2,201,440	1,391,708	1,445,644	1,942,140
GROSS PROFIT	832,560	319,224	561,098	281,906
EXPENSES				
Selling expenses	208,884	181,174	164,847	292,456
General and administrative expenses	3,466,825	7,427,124	5,827,405	3,498,682
Product development and clinical trials expenses	4,742,691	5,705,035	4,082,787	4,560,955
	8,418,400	13,313,333	10,075,039	8,352,093
OPERATING LOSS	(7,585,840)	(12,994,109)	(9,513,941)	(8,070,187)
Other (expense)/income	(21,461,950)	(70,648,431)	(1,319,023)	853,930
Tax expense	(87,296)	(49,920)	(48,174)	(167,351)
LOSS FOR THE PERIOD	$ (29,135,086)	$ (83,692,460)	$ (10,881,138)	$ (7,383,608)
BASIC AND DILUTED LOSS PER SHARE	$ (0.44)	$ (1.25)	$ (0.16)	$ (0.11)

	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014
REVENUE				
Reducer	$ 159,394	$ 134,607	$ 40,398	$ -
Product sales	10,228	120,097	223,411	261,972
Contract manufacturing	737,336	972,216	563,562	952,476
Consulting services	1,566,729	1,700,464	1,477,452	1,738,591
	2,473,687	2,927,384	2,304,823	2,953,039
COST OF GOODS SOLD	1,573,068	1,815,354	1,607,572	2,344,816
GROSS PROFIT	900,619	1,112,030	697,251	608,223
EXPENSES				
Selling expenses	113,913	125,478	123,822	99,348
General and administrative expenses	4,552,966	3,535,042	2,326,386	2,815,008
Product development and clinical trials expenses	4,908,752	4,280,295	3,431,393	4,448,689
	9,575,631	7,940,815	5,881,601	7,363,045
OPERATING LOSS	(8,675,012)	(6,828,785)	(5,184,350)	(6,754,822)
Other income/(expense)	1,041,842	76,447	222,976	44,148
Tax expense	-	-	-	-
LOSS FOR THE PERIOD	$ (7,633,170)	$ (6,752,338)	$ (4,961,374)	$ (6,710,674)
BASIC AND DILUTED LOSS PER SHARE	$ (0.11)	$ (0.10)	$ (0.08)	$ (0.12)

Revenue has generally been decreasing from quarter-to-quarter over the last eight quarters. The Company anticipates its overall revenues to be focused on a smaller customer base in 2016. Neovasc ceased manufacturing all surgical patches in the second quarter of 2015. In the long term the Company expects its consulting services to decline. Neovasc expects its consulting service customers to transition to become contract manufacturing customers and the Company is not actively looking for new customers as available research and development staff and resources are being diverted to the

Tiara development program. The Company anticipates that it will be able to replace and grow total revenue from the commercialization of the Reducer in the mid- to long-term.

Selling expenses are expected to generally increase quarter-over-quarter as the Company initiates a focused commercialization of the Reducer in select countries in Europe. General and administrative expense reached a peak in the second quarter of 2016 mainly due to litigation expenses of $5,793,271. Product development and clinical trial activities have seen quarter over quarter increases and decreases depending on the activities conducted in that quarter to develop the Tiara and the Reducer and we expect these expenses to increase in the coming quarters and beyond.

USE OF PROCEEDS

On March 26, 2014, the Company closed a bought deal equity financing underwritten by Cormark Securities Inc., which placed 4,192,000 common shares of Neovasc at a price of C$6.00 per common share, for gross cash proceeds to the Company of C$25,152,000.

The following table sets out a comparison of how the Company used the proceeds following the closing date against the intended use of proceeds from the bought deal, including an explanation of any variances and the impact of any variance on the ability of the Company to achieve its business objectives and milestones.

	PROPOSED USE OF NET PROCEEDS	**ACTUAL USE OF NET PROCEEDS**	
	March 26, 2014 Bought Deal	Use of Proceeds	Remaining to be Spent
Tiara Development Costs	$12,114,900	$12,114,900	$-
Reducer Development Costs	$6,730,500	$5,984,262	$746,238
Additional Proceeds	$3,271,336	$3,271,336	$-
TOTAL	$22,116,736	$21,370,498	$746,238

The actual proceeds net of share issuance costs from March 26, 2014 financing were $22,116,736. The additional proceeds were used for working capital items and to fund the expansion of our clean rooms and office space. The approximate expenditures from proceeds of the bought deal equity financing from March 26, 2014 to September 30, 2016 were $21,370,000, of which approximately $12,115,000 was spent on Tiara development costs, approximately $5,984,000 was spent on Reducer development costs and approximately $3,271,000 was spent on litigation expenses, working capital items and investment in property, plant and equipment funded from the additional proceeds.

On February 3, 2015, the Company closed an underwritten public offering, which placed 10,415,000 common shares of Neovasc from treasury at a price of $7.19 per common share for aggregate gross proceeds of approximately $74,883,850 to the Company. The February 2015 offering also included the sale of 1,660,000 Neovasc common shares on the same terms by certain directors, officers and employees of Neovasc. The Company did not receive any proceeds from the sale of the 1,660,000 Neovasc common shares.

The following table sets out a comparison of how the Company used the proceeds following the closing date against the intended use of proceeds from the public offering, including an explanation of any variances and the impact of any variance on the ability of the Company to achieve its business objectives and milestones.

	PROPOSED USE OF NET PROCEEDS	**ACTUAL USE OF NET PROCEEDS**	
	February 3, 2015 Underwritten Public Offering	Use of Proceeds	Remaining to be Spent
Tiara Development Costs	$35,000,000	$16,054,883	$18,945,117
Reducer Development Costs	$10,000,000	-	$10,000,000
Additional Proceeds	$24,879,210	$29,089,882	($4,210,672)
TOTAL	$69,879,210	$45,144,765	$24,734,445

The actual proceeds net of share issuance costs from the February 3, 2015 financing to the Company were $69,879,210. From February 3, 2015 to September 30, 2016 the Company spent approximately $45,145,000 of the proceeds. Approximately $18,945,000 was spent on Tiara development costs and approximately $29,090,000 was spent on litigation expenses, working capital items and investment in property, plant and equipment funded from the additional proceeds. We have incurred approximately $18.2 million expenses since the February 2015 financing in connection with the litigation

with CardiAQ. Such expenses have exceeded the Company's estimates at the time of the financing and account for the significant depletion of the additional proceeds generated in the financing. The additional proceeds from the February 2015 financing have been fully depleted and that we have started using proceeds originally intended for development costs of the Tiara and the Reducer programs. The Company may be forced to limit the scope of its development programs or may require significant additional financing in order to pay for the proposed development programs and to continue to operate its business. There can be no assurance that such financing will be available on favorable terms, or at all. A reduction in the scope of the development programs may cause a reduction in anticipated future revenues of the Company or in other ways harm the Company's competitive position in the future. This may have a material adverse effect on the Company's business. The Company may also have to pay all or part of the $91 million damages claims in connection with the litigation with CardiAQ from the proceeds of the February 2015 financing and there may be limited proceeds remaining to further the development programs. As such, there is a substantial doubt about the Company's ability to continue as a going concern (see "Contractual Obligations and Contingencies" herein).

DISCUSSION OF LIQUIDITY AND CAPITAL RESOURCES

Neovasc finances its operations and capital expenditures with cash generated from operations, lines of credit and equity financings. As at September 30, 2016 the Company had cash and cash equivalents of $25,480,683 compared to cash and cash equivalents of $55,026,171 as at December 31, 2015. The Company's working capital, excluding the $91 million damages provision in connection with the litigation with CardiAQ, is $27,470,257 as at September 30, 2016 compared to $54,274,867 as at December 31, 2015. Unless the Company is successful in an appeal of the verdict, or otherwise is successful in reducing the amount of the $91 million award, the Company will require significant additional financing in order to pay the damages and to continue to operate its business. There can be no assurance that such financing will be available on favorable terms, or at all.

The Company intends to continue to vigorously defend itself in the litigation during the post-trial motion timetable as stipulated by the Court and so the outcome of these matters, including whether the Company will be required to pay some or all of the jury award of $70 million and enhanced damages award of $21 million, is not currently determinable. Litigation is inherently uncertain. Therefore, until these matters have been resolved to their ultimate conclusion by the appropriate courts, the Company cannot give any assurances as to the outcome. If the Company is unsuccessful in its defense of these claims, including any appeal of the verdict in the Massachusetts litigation with CardiAQ, or is unable to settle the claims in a manner satisfactory to the Company, it may be faced with significant monetary damages that could exceed its resources, the loss of intellectual property rights and damage to its competitive position. These circumstances indicate the existence of material uncertainty and cast substantial doubt about the Company's ability to continue as a going concern.

Results for the three months ended September 30, 2016 and 2015 follow:

Cash used in operating activities for the three months ended September 30, 2016 was $11,117,649, compared to $6,916,065 for the same period in 2015. Cash expenditures on litigation (litigation expenses less change in accounts payable related to litigation) were $4,309,062 and within accounts payable there was $975,644 of litigation expenses incurred but not paid for in connection with the litigation with CardiAQ that will be paid in the following quarter. Cash expenditures on research and development and clinical trials (expenses less share based payments and depreciation) were $4,321,501 as the Company furthered the development of the Tiara and the Reducer and cash expenditures on general and administrative expenses were $3,250,436. Inventory decreased by $510,269 during the period due to increased sales and corresponding shipments occurring close the end of the period.

For the three months ended September 30, 2016 net cash applied to investing activities was $15,174 compared to net cash received from investing activities of $5,719,144 for the same period in 2015. The Company invested $15,174 in property, plant and equipment, compared to $467,512 for the same period in 2015. The major work on the clean rooms and facilities is substantially complete but the Company continues to invest capital to expand its clean room, chemical laboratory and manufacturing facilities and research and development capabilities. In the three months ended September 30, 2015, the Company received cash inflows from the liquidation of investments of $6,186,656.

For the three months ended September 30, 2016 net cash provided by financing activities was $nil from the exercise of options, compared to $8,583 cash outflows for the same period in 2015.

Results for the nine months ended September 30, 2016 and 2015 follow:

Cash used in operating activities for the nine months ended September 30, 2016 was $33,071,315, compared to $15,571,161 for the same period in 2015. Cash expenditures on litigation (litigation expenses less change in accounts payable related to litigation) were $11,998,338 and within accounts payable there was $975,644 of litigation expenses incurred but not paid for in connection with the litigation with CardiAQ that will be paid in the following quarter. Cash expenditures on research and development and clinical trials (expenses less share based payments and depreciation) were $13,296,070 as the Company furthered the development of the Tiara and the Reducer, cash expenditures on general and administrative expenses were $4,272,766 and there was a $2,698,350 loss on foreign exchange. The increase in expenditures between the nine months ended September 30, 2016 and the same period in 2015 can be explained by a $5,532,659 increase in expenditures in connection with the litigation with CardiAQ, and a $2,697,654 increase in expenditures on research and development and clinical trials as we move forward with our development and clinical programs for the Tiara and the Reducer, a $995,128 reduction in contribution from gross margin as our revenue and margins declined and a $3,464,718 increase in foreign exchange losses.

For the nine months ended September 30, 2016 net cash applied to investing activities was $546,709 compared to net cash received from investing activities of $7,587,846 for the same period in 2015. The Company invested $546,709 in property, plant and equipment, compared to $1,734,646 for the same period in 2015. The major work on the clean rooms and facilities started in 2015 is substantially complete. In the nine months ended September 30, 2015, the Company received proceeds from maturing guaranteed investment certificates of $9,322,492.

For the nine months ended September 30, 2016 net cash provided by financing activities was $75,192 from the exercise of options, compared to net cash provided by financing activities of $70,629,970 for the same period in 2015. In the nine months ended September 30, 2015, the Company received net proceeds from an underwritten public offering of $69,879,210, received proceeds of $915,124 from the exercise of options and paid off its long term debt in full.

The majority of the revenue and expenses of the Company are incurred in the parent and in one of its subsidiaries, NMI, both of which are Canadian companies. There were no significant restrictions on the transfer of funds between these entities and during the three and nine months ended September 30, 2016 and the Company had no complications in transferring funds to and from its subsidiaries in Israel and the United States.

Approximately 62% of the Company's cash and cash equivalents as at September 30, 2016 were denominated in Canadian dollars. The Company is exposed to foreign currency fluctuations on $9,606,802 of its cash and cash equivalents held in U.S. dollars and European euros.

SUBSEQUENT EVENTS

In the District of Massachusetts lawsuit brought by CardiAQ, and on October 31, 2016, Judge Allison D. Burroughs issued an order regarding patent inventorship and various post-trial motions.

The Court ruled in favor of CardiAQ on the issue of inventorship of Neovasc's '964 Patent. There are no monetary awards associated with these matters and no damages award has been recognized. Unless the Company is successful at appeal two individuals employed by Cardiaq will be added as inventors to a Neovasc patent. The Company intends to vigorously defend itself in this matter and so the outcome is inherently uncertain.

The Court upheld the jury's verdict and $70 million award against Neovasc, and awarded $21 million in enhanced damages to that award. When the Company assesses that it is probable that a present obligation exists at the end of the reporting period and that the possibility of an outflow of economic resources embodying economic benefits is probable, a provision is recognized. The Company has made a damages provision for $91 million as at September 30, 2016. The Company intends to continue to vigorously defend itself in the litigation with CardiAQ and so the outcome of these matters is inherently uncertain.

The Court denied CardiAQ's motion for an injunction that would have shut down the development of Tiara, thus allowing the Company to continue development and commercialization of Tiara. However, the Court issued an injunction requiring Neovasc to certify, by November 7, 2016, destruction of information that CardiAQ sent to Neovasc during the parties' 2009-2010 business relationship, destruction of any related work product that incorporates such information, and return of any related CardiAQ prototypes.

The Court denied Neovasc's motions for a new trial.

Upon entry of a judgment by the trial court, Neovasc will immediately seek to stay the judgment, and thereby the payment of the $70 million damages award and the $21 million enhancement to that award, until after an appeal of the basis for that award and enhancement is complete. The Company will appeal the validity of the award, the ruling on inventorship, and related issues stemming from the trial court verdict and October 31 order. The appellate process may take up to a year to complete. In addition, following entry of a judgment, there may be additional motion practice regarding issues such as interest.

OUTSTANDING SHARE DATA

As at November 14, 2016, the Company had 66,866,345 common voting shares issued and outstanding. Further, the following securities are convertible into common shares of the Company: 7,976,482 stock options with a weighted average price of C$3.95. The fully diluted share capital of the Company at November 14, 2016 is 74,842,827.

CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

Contingencies

Litigation with CardiAQ

On June 6, 2014, Neovasc was named in a lawsuit filed by CardiAQ in the U.S. District Court for the District of Massachusetts concerning intellectual property rights ownership, unfair trade practices and breach of contract relating to Neovasc's transcatheter mitral valve technology, including the Tiara.

On June 23, 2014, CardiAQ also filed a complaint against Neovasc in Germany requesting that Neovasc assign its right to one of its European patent applications to CardiAQ. On July 7, 2014, the Company was made aware through a press release issued by CardiAQ of a stay in proceedings for Neovasc's European patent application that is the subject of the German lawsuit. This stay of proceedings was granted without an opportunity for Neovasc to respond to CardiAQ's allegations. The Company requested that the stay be lifted, but the request was denied by the European patent office pending resolution of the German lawsuit. Neovasc filed its response to the German lawsuit in December 2014. The court in Munich is expected to render its decision after a hearing which has been deferred by the court and is currently scheduled for December 14, 2016.

On April 25, 2016, the Court granted Neovasc's motion for summary judgment on CardiAQ's claim for fraud.

On May 19, 2016, following a trial in Boston, Massachusetts, a jury found in favor of CardiAQ, on CardiAQ's claims for relief for breach of contract, breach of the duty of honesty in contractual performance, and three of CardiAQ's six asserted trade secrets. The jury also issued advisory findings in favor of CardiAQ regarding its causes of action under Massachusetts Gen. Law. Ch. 93A and patent inventorship. The Company recognized a damages provision of $70 million as at June 30, 2016 and $91 million as at September 30, 2016. The Company intends to continue to vigorously defend itself in the litigation with CardiAQ and so the outcome of these matters is inherently uncertain. Interest, costs, and fees may be due on any award granted by the Court. The determination of the interest due, if any, would be the subject of further rulings from the Court, including rulings on pre-judgment interest. CardiAQ has estimated such pre-judgment interest at approximately $20.3 million. Neovasc will dispute whether CardiAQ is entitled to any pre-judgment interest. Similarly, the determination of any attorneys' fees and the costs of litigation would be the subject of further rulings from the Court. The amounts of any attorneys' fees and costs are currently undeterminable.

On May 27, 2016, the Court granted Neovasc's motion for judgment as a matter of law on the Massachusetts Gen. Law. Ch. 93A claim.

In the cause of action relating to patent inventorship, CardiAQ claimed that two individuals should be added as inventors to a Neovasc patent and no judgment has yet been made. The matter of inventorship has no monetary award attached to it. The Court decided the patent inventorship claim, as well as post-trial motions, following briefing completed in August 2016 and following a hearing on these motions.

On October 31, 2016, the Court issued an order regarding patent inventorship, injunctive relief, enhanced damages, and motions for a new trial. Following that order, the Court will issue a final judgment.

As at September 30, 2016 the Company had approximately $25.5 million in cash and cash equivalents. Unless the Company is successful in post-trial motions and/or an appeal of the verdict, or otherwise is successful in reducing the

amount of the $70 million award and enhanced damages award of $21 million, the Company will require significant additional financing in order to pay the damages and to continue to operate its business. There can be no assurance that such financing will be available on favorable terms, or at all.

The Company intends to continue to vigorously defend itself in the litigation with CardiAQ and so the outcome of these matters, including whether the Company will be required to pay some or all of the jury award of $70 million and enhanced damages award of $21 million, is not currently determinable. Litigation is inherently uncertain. Therefore, until these matters have been resolved to their ultimate conclusion by the appropriate courts, the Company cannot give any assurances as to the outcome. If the Company is unsuccessful in its defense of these claims, including any appeal of the verdict in the Massachusetts litigation with CardiAQ, or is unable to settle the claims in a manner satisfactory to the Company, it may be faced with significant monetary damages that could exceed its resources, the loss of intellectual property rights and damage to its competitive position. These circumstances indicate the existence of material uncertainty and cast substantial doubt about the Company's ability to continue as a going concern.

In addition, the Company's litigation with CardiAQ has been, and is expected to continue to be, costly and time-consuming and could divert the attention of management and key personnel from the Company's business operations. If the Company is unsuccessful in its defense of these claims, including any appeal of the verdict in the Massachusetts litigation with CardiAQ, or is unable to settle the claims in a manner satisfactory to the Company, it may be faced with significant monetary damages that could exceed its resources, the loss of intellectual property rights and damage to its competitive position, which creates material uncertainty and casts substantial doubt about the Company's ability to continue as a going concern.

Securities Class Action Lawsuit

On June 6, 2016, an alleged purchaser of Neovasc common shares filed a lawsuit, on behalf of a putative class of purchasers of Neovasc securities, against Neovasc (as well as against Chief Executive Officer, Alexei Marko, and Chief Financial Officer, Christopher Clark) in the United States District Court for the District of Massachusetts concerning alleged violations of the United States securities laws. The case is styled as *Sergio Grobler, individually and on behalf of all others similarly situated v. Neovasc Inc., Alexei Marko, and Christopher Clark*, Case No. 1:16-cv-11038-RGS. The complaint filed in the lawsuit, which principally bases the plaintiff's claims on the Company's prior disclosures regarding the lawsuit filed by CardiAQ in the United States District Court for the District of Massachusetts, does not specify the amount of damages sought. Further, as of the present time, no class action has been certified by the court to proceed.

The Company and its officers intend to vigorously defend themselves in the litigation and so the outcome of this matter is not currently determinable. Litigation is inherently uncertain. Therefore, until this matter has been resolved to its ultimate conclusion by the appropriate court, the Company cannot give any assurances as to the outcome. In addition, the litigation is expected to be costly and time-consuming and could divert the attention of management and key personnel from the Company's business operations. If the Company is unsuccessful in its defense of these claims, or is unable to settle the claims in a manner satisfactory to the Company, it may be faced with significant monetary damages that could exceed its resources, which would have a material adverse effect on the Company's business.

Contractual obligations

The following table summarizes our contractual obligations as at September 30, 2016:

	Payments due by Period			
Contractual Obligations	Total	Less than 1 year	2-3 years	4-5 years
Operating leases	$ 594,693	$ 217,305	$ 263,702	$ 113,686

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 months ended September 30, 2016 and 2015, other than those as described elsewhere herein and those compensation based payments

disclosed in Note 17 of the unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2016 and 2015.

PROPOSED TRANSACTIONS

The Company is not party to any transaction requiring additional disclosure.

CRITICAL ACCOUNTING ESTIMATES AND MANAGEMENT JUDGMENT

The preparation of unaudited condensed interim consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the unaudited condensed interim consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas requiring the use of estimates relate to the determination of the net realizable value of inventory (obsolescence provisions), allowance for doubtful accounts receivable, impairment of non-financial assets, useful lives of depreciable assets and expected life, volatility and forfeiture rates for share-based payments.

Inventories
The Company estimates the net realizable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

Allowance for doubtful accounts receivable
The Company provides for bad debts by setting aside accounts receivable past due more than 121 days. Actual collectability of customer balances can vary from the Company's estimation.

Impairment of long-lived assets
In assessing impairment, the Company estimates the recoverable amount of each asset or cash generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Useful lives of depreciable assets
The Company reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utilization of the assets.

Share-based payment
The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and forfeiture rates and making assumptions about them.

Determination of functional currency
The Company determines its functional currency based on the primary economic environment in which it operates. IAS 21 The Effects of Changes in Foreign Exchange Rates outlines a number of factors to apply in determining the functional currency, which is subject to significant judgment by management. Management uses a number of factors to determine the primary economic environment in which the Company operates; it is normally the one in which it primarily generates and expends cash. As the Company is still a development stage entity, it considers the currency in which it expends cash on its research and development activities to be a key element in this assessment.

Determination of presentation currency
The Company has elected to adopt the U.S. dollar as its presentation currency, effective from the annual statements of the Company for the year ended December 31, 2015, to better reflect its business and to improve comparability of its financial information with other publicly traded businesses in the life sciences industry. Prior period financial statements

and all comparative financial information contained herein have been recast to reflect the Company's results as if they had been historically presented in U.S. dollars.

Deferred tax assets
Deferred tax assets are recognized in respect of tax losses and other temporary differences to the extent probable that there will be taxable income available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized based on estimates of future taxable income.

Contingent Liabilities
Contingent liabilities are assessed continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognized in the financial statements of the period in which the change in probability occurs.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

During the three months ended September 30, 2016 there have been no changes in accounting policies. The Company has not adopted any new accounting policies during the three months ended September 30, 2016.

FINANCIAL INSTRUMENTS

The Company's financial instruments include its cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities. The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities are considered a reasonable approximation of fair value due to their short term nature.

The Company's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities denominated in foreign currency may be subject to foreign exchange risk. The majority of the Company's accounts receivable are denominated in U.S. dollars and European Euros. The majority of the Company's accounts payable and accrues liabilities are denominated in U.S. dollars and Canadian dollars. Any change in the foreign exchange between these currencies and the Canadian dollar may result in a change in net income for the Company. Management has considered the stability of the foreign currencies and the impact a change in the exchange rate may have on future earnings. The Company does not hedge its foreign exchange risk.

The Company's cash and cash equivalents, accounts receivable may be subject to credit risk. The Company's accounts receivable are due from entities to which the Company sells products. The Company monitors its debtors' payment history and performance. The Company does not require collateral from its customers as security for trade accounts receivable but may require certain customers to pay in advance of any work being performed or product being shipped. The Company' cash and cash equivalents are held in banks that may become unstable or insolvent. The Company minimizes its risk to cash and cash equivalents by dealing with Canadian chartered banks.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures ("DC&P") are designed to provide reasonable assurance that all material information is gathered and reported to senior management, including the Company's Chief Executive Officer and Chief Financial Officer (the "Certifying Officers"), on a timely basis so that appropriate decisions can be made regarding public disclosure within the required time periods specified under applicable Canadian securities laws. The Certifying Officers are responsible for establishing and monitoring the Company's DC&P. The internal control over financial reporting ("ICFR") is designed to provide reasonable assurance that such financial information is reliable and complete. The Certifying Officers are also responsible for establishing and maintaining adequate ICFR for the Company.

As at September 30, 2016, management of the Company, with the participation of the Certifying Officers, evaluated the effectiveness of the Company's DC&P and ICFR as required by Canadian securities laws. Based on that evaluation, the Certifying Officers have concluded that, as of the end of the period covered by this MD&A, the DC&P were effective to provide reasonable assurance that material information relating to the Company was made known to senior management by others and information required to be disclosed by the Company in its annual filings, interim filings (as such terms are defined under National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings) or other reports filed or submitted by it under securities legislation were recorded, processed, summarized and reported within the time periods specified in securities legislation. The Certifying Officers have evaluated the effectiveness of the Company's ICFR as at September 30, 2016 and have concluded that such ICFR is effective. The Certifying Officers have also

concluded that, as of the end of the period covered by this MD&A, the ICFR provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. To design its ICFR, the Company used the 2013 Internal Control – Integrated Framework (COSO Framework) published by the Committee of Sponsoring Organizations of the Treadway Commission. Due to inherent limitations, ICFR reporting may not prevent or detect misstatements. In addition, projections of any evaluation relating to the effectiveness in future periods are subject to the risk that controls may become inadequate as a result of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate. Because the Company is an "emerging growth company" as defined in the U.S. Jumpstart Our Business Startups Act of 2012, the Company will not be required to comply with the auditor attestation requirements of the U.S. Sarbanes-Oxley Act of 2002 for as long as the Company remains an "emerging growth company", which may be for as long as five years following its initial registration in the United States.

There have been no material changes in our DC&P and ICFR during the three months ended September 30, 2016, that have materially affected, or are reasonably likely to affect our internal control over financial reporting.

ADDITIONAL INFORMATION

Additional information about the Company, including the Company's consolidated financial statements and Annual Information Form, are available on SEDAR at www.sedar.com and in the Company's Annual Report on Form 40-F, which is available on the website of the U.S. Securities and Exchange Commission at www.sec.gov.