Neovasc Inc.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

(Expressed in U.S. dollars)

CONTENTS

NEOVASC INC.

Condensed Interim Consolidated Statements of Financial Position

(Expressed in U.S. dollars) (Unaudited)

	Notes	**September 30, 2017**	December 31, 2016
ASSETS			
Current assets			
Cash and cash equivalents	6	**$ 6,268,113**	$ 22,954,571
Cash held in escrow	7	**70,321,442**	70,000,000
Accounts receivable	8	**1,393,568**	3,117,474
Inventory	9	**471,567**	196,723
Prepaid expenses and other assets	10	**1,048,560**	505,340
Total current assets		**79,503,250**	96,774,108
Non-current assets			
Restricted cash	11	**480,780**	449,760
Property, plant and equipment	12	**1,772,226**	1,585,635
Total non-current assets		**2,253,006**	2,035,395
Total assets		**$ 81,756,256**	$ 98,809,503
LIABILITIES AND EQUITY			
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	13	**$ 2,314,003**	$ 2,490,943
Damages provision	14	**112,423,812**	111,781,096
Total current liabilities and total liabilities		**114,737,815**	114,272,039
Equity			
Share capital	15	**169,182,621**	168,712,673
Contributed surplus	15	**24,145,117**	22,301,437
Accumulated other comprehensive loss		**(6,643,436)**	(4,693,040)
Deficit		**(219,665,861)**	(201,783,606)
Total equity		**(32,981,559)**	(15,462,536)
Total liabilities and equity		**$ 81,756,256**	$ 98,809,503

Going Concern and Uncertainty (see Note 1)
Contingent Liabilities and Provisions (see Note 22)
Subsequent Events (see Note 23)

NEOVASC INC.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the three and nine months ended September 30,
(Expressed in U.S. dollars) (Unaudited)

	Notes	For the three months ended September 30, 2017	For the three months ended September 30, 2016	For the nine months ended September 30, 2017	For the nine months ended September 30, 2016
REVENUE					
Reducer		**$ 334,208**	$ 262,546	**$ 842,528**	$ 722,433
Contract manufacturing		**197,494**	1,543,516	**484,174**	2,391,136
Consulting services		**843,191**	1,227,938	**2,834,687**	3,638,105
	16	**1,374,893**	3,034,000	**4,161,389**	6,751,674
COST OF GOODS SOLD	18	**659,686**	2,201,440	**2,341,017**	5,038,792
GROSS PROFIT		**715,207**	832,560	**1,820,372**	1,712,882
EXPENSES					
Selling expenses	18	**253,791**	208,884	**665,341**	554,905
General and administrative expenses	18	**1,864,302**	3,466,825	**7,366,234**	16,721,354
Product development and clinical trials expenses	18	**4,422,641**	4,742,691	**13,726,944**	14,530,513
		6,540,734	8,418,400	**21,758,519**	31,806,772
OPERATING LOSS		**(5,825,527)**	(7,585,840)	**(19,938,147)**	(30,093,890)
OTHER INCOME/(EXPENSE)					
Interest income		**138,613**	25,723	**355,837**	161,522
Interest on damages provision		**(216,593)**	-	**(642,716)**	-
Damages provision		**-**	(21,000,000)	**-**	(91,000,000)
Foreign exchange (loss)/gain		**(8,951,113)**	88,584	**(5,661,951)**	(2,014,669)
Unrealized gain/(loss) on damages provision		**10,502,586**	(576,257)	**8,463,548**	(576,257)
		1,473,493	(21,461,950)	**2,514,718**	(93,429,404)
LOSS BEFORE TAX		**(4,352,034)**	(29,047,790)	**(17,423,429)**	(123,523,294)
Tax expense		**(343,926)**	(87,296)	**(458,826)**	(185,390)
LOSS FOR THE PERIOD		**$ (4,695,960)**	$ (29,135,086)	**$ (17,882,255)**	$ (123,708,684)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD					
Exchange difference on translation		**9,390,710**	(278,161)	**6,513,152**	3,639,481
Unrealized gain/(loss) on damages provision		**(10,502,586)**	576,257	**(8,463,548)**	576,257
		(1,111,876)	298,096	**(1,950,396)**	4,215,738
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD		**$ (5,807,836)**	$ (28,836,990)	**$ (19,832,651)**	$ (119,492,946)
LOSS PER SHARE					
Basic and diluted loss per share	20	**$ (0.06)**	$ (0.44)	**$ (0.23)**	$ (1.85)

See Accompanying Notes to the Condensed Interim Consolidated Financial Statements

NEOVASC INC.

Condensed Interim Consolidated Statements of Changes in Equity

(Expressed in U.S. dollars) (Unaudited)

	Notes	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Total Equity
Balance at January 1, 2016		**$ 161,505,037**	**$ 20,569,110**	**$ (8,790,011)**	**$ (115,288,713)**	**$ 57,995,423**
Issue of share capital on exercise of options		152,976	(77,784)	-	-	75,192
Share-based payments		-	1,811,210	-	-	1,811,210
Transaction with owners during the period		152,976	1,733,426	-	-	1,886,402
Loss for the period		-	-	-	**(123,708,684)**	**(123,708,684)**
Other comprehensive loss for the period		-	-	**4,215,738**	-	**4,215,738**
Balance at September 30, 2016		**$ 161,658,013**	**$ 22,302,536**	**$ (4,574,273)**	**$ (238,997,397)**	**$ (59,611,121)**
Balance at January 1, 2017		**$ 168,712,673**	**$ 22,301,437**	**$ (4,693,040)**	**$ (201,783,606)**	**$ (15,462,536)**
Issue of share capital on exercise of options	15	469,948	(234,995)	-	-	234,953
Share-based payments	18	-	2,078,675	-	-	2,078,675
Transaction with owners during the period		469,948	1,843,680	-	-	2,313,628
Loss for the period		-	-	-	**(17,882,255)**	**(17,882,255)**
Other comprehensive income for the period		-	-	**(1,950,396)**	-	**(1,950,396)**
Balance at September 30, 2017		**$ 169,182,621**	**$ 24,145,117**	**$ (6,643,436)**	**$ (219,665,861)**	**$ (32,981,559)**

See Accompanying Notes to the Condensed Interim Consolidated Financial Statements

NEOVASC INC.

Condensed Interim Consolidated Statements of Cash Flows

For the three and nine months ended September 30,
(Expressed in U.S. dollars) (Unaudited)

	Notes	For the three months ended September 30, 2017	For the three months ended September 30, 2016	For the nine months ended September 30, 2017	For the nine months ended September 30, 2016
OPERATING ACTIVITIES					
Loss for the period		**$ (4,695,960)**	$ (29,135,086)	**$(17,882,255)**	$(123,708,684)
Adjustments for:					
Depreciation	18	**142,034**	215,108	**387,762**	562,088
Share-based payments	18	**343,155**	580,221	**2,078,675**	1,811,210
Damages provision		**216,593**	21,000,000	**642,716**	91,000,000
Write-down accounts receivable		**-**	697	**40,000**	5,556
Income tax expense		**345,062**	-	**461,097**	-
Interest income		**(138,613)**	(25,723)	**(355,837)**	(161,522)
		(3,787,729)	(7,364,783)	**(14,627,842)**	(30,491,352)
Net change in non-cash working capital items:					
Accounts receivable		**178,735**	(980,522)	**1,809,123**	(1,154,457)
Inventory		**(29,795)**	510,269	**(247,403)**	(409,886)
Prepaid expenses and other assets		**(91,780)**	20,642	**(481,560)**	(234,565)
Accounts payable and accrued liabilities		**(204,279)**	(3,326,228)	**(577,616)**	(940,349)
		(147,119)	(3,775,839)	**502,544**	(2,739,257)
Interest received		**8,236**	22,974	**112,067**	159,294
Income tax paid		**(114,616)**	-	**(229,516)**	-
		(106,380)	22,974	**(117,449)**	159,294
Net cash applied to operating activities		**(4,041,228)**	(11,117,648)	**(14,242,747)**	(33,071,315)
INVESTING ACTIVITES					
Increase in cash held in escrow		**(131,258)**	-	**(321,442)**	-
Purchase of property, plant and equipment	12	**(55,589)**	(15,174)	**(445,930)**	(546,709)
Net cash applied to investing activities		**(186,847)**	(15,174)	**(767,372)**	(546,709)
FINANCING ACTIVITIES					
Proceeds from exercise of options	15	**10,486**	-	**234,953**	75,192
Net cash received from financing activities		**10,486**	-	**234,953**	75,192
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(4,217,589)**	(11,132,822)	**(14,775,166)**	(33,542,832)
CASH AND CASH EQUIVALENTS					
Beginning of the period		**11,580,940**	36,277,793	**22,954,571**	55,026,171
Exchange difference on cash and cash equivalents		**(1,095,238)**	335,712	**(1,911,292)**	3,997,344
End of the period		**$ 6,268,113**	$ 25,480,683	**$ 6,268,113**	$ 25,480,683
Represented by:					
Cash	6	**6,268,113**	14,390,173	**6,268,113**	14,390,173
Cashable high interest savings accounts	6	**-**	11,090,510	**-**	11,090,510
		$ 6,268,113	$ 25,480,683	**$ 6,268,113**	$ 25,480,683

See Accompanying Notes to the Condensed Interim Consolidated Financial Statements

1. INCORPORATION AND GOING CONCERN

(a) Business Description

Neovasc Inc. (ñNeovascò or the ñCompanyó) is a limited liability company incorporated and domiciled in Canada. The Company was incorporated as Medical Ventures Corp. under the Company Act (British Columbia) on November 2, 2000 and was continued under the Canada Business Corporations Act on April 19, 2002. On July 1, 2008, the Company changed its name to Neovasc Inc.

Neovasc is the parent company. The condensed interim consolidated financial statements of the Company as at September 30, 2017 and for the three and nine months ended September 30, 2017 and 2016 comprise the Company and its subsidiaries, all of which are wholly owned. The Companyøs principal place of business is located at Suite 5138 ï 13562 Maycrest Way, Richmond, British Columbia, V6V 2J7 and the Companyøs registered office is located at Suite 2600 ï 595 Burrard Street, Vancouver, British Columbia, V7X 1L3, Canada. The Company's shares are listed on the Toronto Stock Exchange (TSX:NVCN) and the Nasdaq Capital Market (NASDAQ:NVCN).

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

(b) Going Concern and Uncertainty

As at September 30, 2017, the Company had $6,268,113 in cash and cash equivalents and a working capital deficit of $35,234,565. On May 19, 2016, following a trial in Boston, Massachusetts, a jury awarded $70 million on certain trade secret claims made by CardiAQ Valve Technologies, Inc. (ñCardiAQó). On October 31, 2016, during post-trial motions, the judge awarded $21 million in enhanced damages on those claims. On January 18, 2017, during post-trial motions, the judge awarded approximately $21 million in pre- and post- judgment interest. Neovasc filed a renewed notice of appeal with the United States Court of Appeals for the Federal Circuit (the ñAppeals Courtò) on January 18, 2017. CardiAQ filed a notice of cross-appeal on January 19, 2017, regarding the trial courtøs denial of CardiAQøs request for an 18-month injunction against the Tiara devices. On September 1, 2017, the Appeals Court affirmed the trial court judgment against Neovasc, and denied CardiAQøs cross-appeal. On October 2, 2017, Neovasc petitioned the Appeals Court for an en banc rehearing. CardiAQ also filed a petition with the Appeals Court for panel rehearing and en banc rehearing as to the trial courtøs denial of its request for an 18-month injunction against the Tiara devices. On November 3, 2018 the Appeals Court denied the petition for panel rehearing and en banc rehearing filed by CardiAQ and denied the petition for en banc rehearing filed by the Company. On November 13, 2017, the final mandate was issued by the Appeals Court, approximately $70 million was released from escrow to CardiAQ to partially settle approximately $112 million damages and interest awards and approximately $42 million is now due and payable. On November 9, 2017 the Company announced two financings transactions, a public offering of units (the ñPublic Transactionó) and a private placement of senior secured convertible notes and warrants (the ñPrivate Placementò and together with the Public Transaction the ñFinancingsó) for gross proceeds of approximately $65 million. For a more fulsome description of the terms of the Financing and the securities offered thereunder, see the prospectus supplement dated November 10, 2017, as filed under the Companyøs profiles on SEDAR and EDGAR (the ñProspectus Supplementó). The Financings are expected to close on November 17, 2017 upon satisfaction of the closing conditions and the Company intends to use approximately $42 million from the net proceeds to settle the remaining damages and interest awards. These circumstances indicate the existence of material uncertainty and cast substantial doubt about the Companyøs ability to continue as a going concern (See Notes 7, 14, 22 and 23).

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. Should the Company be unable to meet the closing conditions of the Financings and the Companyøs ability to continue as a going concern be impaired, material adjustments may be necessary to these consolidated financial statements.

(Expressed in U.S. dollars)

2. BASIS OF PREPARATION

(a) Statement of compliance with IFRS

These interim consolidated financial statements are prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"), using the accounting policies consistent with the Company's annual consolidated financial statements for the year ended December 31, 2016. These interim consolidated financial statements should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2016 and the accompanying notes included in those financial statements. For a full description of accounting policies, refer to the audited annual consolidated financial statements of the Company for the year ended December 31, 2016.

The results for the three and nine months ended September 30, 2017 may not be indicative of the results that may be expected for the full year or any other period.

(b) Basis of consolidation

The condensed interim consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiaries, Neovasc Medical Inc., Neovasc Tiara Inc., Neovasc (US) Inc., Neovasc Medical Ltd., B-Balloon Ltd. (which is in the process of being voluntarily liquidated) and Neovasc GmbH. All significant intercompany balances and transactions have been eliminated upon consolidation.

(c) Presentation of financial statements

The Company has elected to present the 'Statement of Comprehensive Income' in a single statement.

3. SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated financial statements have been prepared in accordance with the accounting policies adopted in the Company's most recent annual consolidated financial statements for the year ended December 31, 2016.

4. MANAGING CAPITAL

The Company's objectives, when managing capital, are to safeguard cash as well as maintain financial liquidity and flexibility in order to preserve its ability to meet financial obligations and deploy capital to grow its business. In the definition of capital, the Company includes equity and long-term debt. There has been no change in the definition since the prior period.

The Company's financial strategy is designed to maintain a flexible capital structure consistent with the objectives stated above and to respond to business growth opportunities and changes in economic conditions. In order to maintain or adjust its capital structure, the Company may issue new shares, new units or new debt (secured, unsecured, convertible and/or other types of available debt instruments). For the three and nine months ended September 30, 2017 and 2016 there were no changes in the Company's capital management policy.

The capital of the Company is comprised of:

	September 30, 2017	December 31, 2016
Equity	**$ (32,981,559)**	$ (15,462,536)

As at September 30, 2017, the Company is in a negative equity position. The Company has recognized a damages provision of approximately $112 million after a $70 million damages award, $21 million enhanced damages award and an approximate $21 million damages for pre- and post-judgment interest in its litigation with CardiAQ (see Notes 14 and 22).

(Expressed in U.S. dollars)

5. FINANCIAL RISK MANAGEMENT

The carrying amounts of financial assets and financial liabilities in each category are as follows:

	Note	**September 30, 2017**	December 31, 2016
Loans and receivables			
Cash and cash equivalents	6	**$ 6,268,113**	$ 22,954,571
Cash held in escrow	7	**70,321,442**	70,000,000
Accounts receivable	8	**1,393,568**	3,117,474
Restricted cash	11	**480,780**	449,760
		$ 78,463,903	$ 96,521,805
Other financial liabilities			
Accounts payable and accrued liabilities	13	**$ 2,314,003**	$ 2,490,943

The carrying amounts of cash and cash equivalents, cash held in escrow, accounts receivable and accounts payable and accrued liabilities are considered a reasonable approximation of fair value due to their short-term nature.

(a) Foreign exchange risk

The majority of the Company's revenues are derived from product sales in the United States ("U.S.") and Europe ("EU"), primarily denominated in U.S. and EU currencies. Management has considered the stability of the foreign currency and the impact a change in the exchange rate may have on future earnings during the forecasting process. U.S. and EU currency represents approximately 37% and 63% of the revenue for the three and nine months ended September 30, 2017 (2016: 62% and 38% respectively). A 10% change in the foreign exchange rates for the U.S. and EU currencies for foreign currency denominated accounts receivable will impact net income as at September 30, 2017 by approximately $65,000 and $65,000 respectively (as at December 31, 2016: $202,000 and $49,000), and a similar change for foreign currency denominated accounts payable will impact net income by approximately $7,000 and $109,000 respectively as at September 30, 2017 (as at December 31, 2016: $123,000 and $10,000). The Company does not hedge its foreign exchange risk.

(b) Interest rate risk

The Company receives interest on its investment in high interest savings accounts ("HISAs") at variable interest rates. A 1% change in the interest rate on the investment in HISAs will impact net income as at September 30, 2017 by approximately $nil (2016: $176,026).

The Company is not exposed to cash flow interest rate risk on fixed rate cash balances, fixed rate guaranteed investment certificates and short-term accounts receivable without interest.

(c) Liquidity risk

As at September 30, 2017, the Company had $6,268,113 in cash and cash equivalents as compared to cash and cash equivalents of $22,954,571 at December 31, 2016. The cash used during the three and nine months ended September 30, 2017 was $5,312,827 and $16,686,458, respectively. As at September 30, 2017, the Company had a working capital deficit of $35,234,565 as compared to $17,497,931 at December 31, 2016. On November 13, 2017, the final mandate was issued by the court, approximately $70 million was released from escrow to CardiAQ to partially settle the approximately $112 million damages and approximately $42 million is now due and payable. On November 9, 2017 the Company announced the Financings for gross proceeds of approximately $65 million. The Financings are expected to close on November 17, 2017 upon satisfaction of the closing conditions and the Company intends to use approximately $42 million from the net proceeds to settle the remaining damages (see Notes 1(b), 7, 14, 22 and 23). Further to this and in the longer term, the Company is dependent on the profitable commercialization of its products or obtaining additional debt or equity financing to fund ongoing operations until profitability is achieved.

(Expressed in U.S. dollars)

5. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

The Company monitors its cash flow on a monthly basis and compares actual performance to the budget for the period. The Company believes it has sufficient funds to fund operations for at least the next quarter. The Company may obtain additional debt or equity financing during that period. Further into the future the Company is dependent on the profitable commercialization of its products or obtaining additional debt or equity financing to fund ongoing operations until profitability is achieved.

As at September 30, 2017 and December 31, 2016, all the Company's non-derivative financial liabilities have maturities (including interest payments where applicable) within 6 months.

(d) Credit risk

Credit risk arises from the possibility that the entities to which the Company sells products may experience financial difficulty and be unable to fulfill their contractual obligations. This risk is mitigated by proactive credit management policies that include regular monitoring of the debtor's 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 maximum exposure, if all of the Company's customers were to default at the same time is the full carrying value of the trade accounts receivable as at September 30, 2017 is $1,393,568 (as at December 31, 2016: $2,532,114).

As at September 30, 2017, the Company had $297,381 (as at December 31, 2016: $1,555,469) of trade accounts receivable that were overdue, according to the customers' credit terms. During the three and nine months ended September 30, 2017 the Company wrote down $nil and $40,000, respectively, of accounts receivable owed by customers (three and nine months ended September 30, 2016: $nil and $5,556, respectively).

The Company may also have credit risk related to its cash and cash equivalents, and investments with a maximum exposure of $77,070,335 as at September 30, 2017 (as at December 31, 2016: $93,404,331). The Company minimizes its risk to cash and cash equivalents by dealing with Canadian Chartered Banks.

6. CASH AND CASH EQUIVALENTS

	September 30, 2017	December 31, 2016
Cash held in:		
Canadian dollars	**$ 3,930,070**	$ 6,386,135
United States dollars	**1,786,425**	7,231,160
Euros	**551,618**	344,242
Cashable Canadian dollar high interest savings accounts	**-**	4,713,385
Cashable United States dollar high interest savings accounts	**-**	4,279,649
	$ 6,268,113	$ 22,954,571

The high interest savings accounts are held in major Canadian Chartered Banks. They are fully cashable at any time and have a variable interest rate.

7. CASH HELD IN ESCROW

	September 30, 2017	December 31, 2016
Cash held in escrow	**$ 70,321,442**	$ 70,000,000

The Company placed $70 million into a joint escrow account to partially cover the damages awarded against the Company in its lawsuit against CardiAQ. On November 13, 2017, the final mandate of the court was issued and approximately $70 million was released from escrow to CardiAQ to partially settle the approximately $112 million damages award (see Notes 14, 22 and 23).

(Expressed in U.S. dollars)

8. ACCOUNTS RECEIVABLE

	September 30, 2017	December 31, 2016
Trade receivables	$ **1,308,326**	$ 2,532,114
Other receivables	**85,242**	585,360
	$ **1,393,568**	$ 3,117,474

All amounts are short-term. The aging analysis of trade receivables is as follows:

	September 30, 2017	December 31, 2016
Not past due	$ **1,010,945**	$ 976,645
Past due 0 - 30 days	**168,968**	969,652
30 - 60 days	**58,431**	54,064
60 - 90 days	**-**	134,468
90 ï 120 days	**-**	189,640
Over 120 days	**72,687**	327,645
Allowance for doubtful accounts	**(2,705)**	(120,000)
	$ **1,308,326**	$ 2,532,114

All of the Company's trade and other receivables have been reviewed for impairment. During the three and nine months ended September 30, 2017, the Company wrote down $nil and $40,000 of accounts receivable, respectively (three and nine months ended September 30, 2016: $nil and $5,556).

9. INVENTORY

	September 30, 2017	December 31, 2016
Raw materials	$ **231,288**	$ 83,934
Work in progress	**86,193**	62,040
Finished goods	**154,086**	50,749
	$ **471,567**	$ 196,723

During the three and nine months ended September 30, 2017 and 2016 the Company did not write down any obsolete inventory. During the three and nine months ended September 30, 2017 $71,531 and $428,582 respectively (three and nine months ended September 30, 2016: $1,519,460 and $2,651,743, respectively) of inventory was expensed in cost of goods sold.

10. PREPAID EXPENSES AND OTHER ASSETS

	September 30, 2017	December 31, 2016
Prepaid expenses	$ **91,538**	$ 187,480
Prepaid insurance	**182,794**	114,988
Deposits on rental agreements	**315,891**	53,771
Retainers on professional fees	**186,309**	23,938
Other prepaid	**272,028**	125,163
	$ **1,048,560**	$ 505,340

11. RESTRICTED CASH

	September 30, 2017	December 31, 2016
Restricted cash	$ **480,780**	$ 449,760

Restricted cash represents a C$600,000 security held by a Canadian Chartered Bank as a guarantee for the Companyộs same day electronic processing facility and corporate credit card facility.

(Expressed in U.S. dollars)

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Building	Leasehold improvements	Production equipment	Computer hardware	Computer software	Office equipment	Total
COST								
Balance at January 1, 2016	**$ 374,766**	**$ 2,200,804**	**$ 118,009**	**$ 1,870,715**	**$ 431,090**	**$ 326,358**	**$ 276,245**	**$ 5,597,987**
Additions during the year	-	89,263	-	409,899	28,765	128,243	-	656,170
Disposals during the year	(157,791)	(1,994,191)	(84,808)	(964,018)	(45,641)	(41,724)	-	(3,288,173)
Cumulative translation adjustment	14,926	111,679	5,447	71,521	14,933	12,265	8,526	239,297
Balance as at December 31, 2016	**$ 231,901**	**$ 407,555**	**$ 38,648**	**$ 1,388,117**	**$ 429,147**	**$ 425,142**	**$ 284,771**	**$ 3,205,281**
Additions during the period	-	-	71,681	146,388	77,518	141,187	9,156	445,930
Cumulative translation adjustment	17,592	30,916	4,109	115,223	37,257	41,707	22,158	268,962
Balance as at September 30, 2017	**$ 249,493**	**$ 438,471**	**$ 114,438**	**$ 1,649,728**	**$ 543,922**	**$ 608,036**	**$ 316,085**	**$ 3,920,173**
ACCUMULATED DEPRECIATION								
Balance at January 1, 2016	**$ -**	**$ 335,239**	**$ 33,015**	**$ 834,027**	**$ 257,606**	**$ 268,926**	**$ 148,618**	**$ 1,877,431**
Depreciation for the year	-	77,205	50,101	402,426	61,645	137,682	26,675	755,734
Disposals during the year	-	(395,674)	(57,933)	(584,186)	(29,746)	(14,779)	-	(1,082,318)
Cumulative translation adjustment	-	18,130	1,567	31,536	7,694	5,647	4,225	68,799
Balance at December 31, 2016	**$ -**	**$ 34,900**	**$ 26,750**	**$ 683,803**	**$ 297,199**	**$ 397,476**	**$ 179,518**	**$ 1,619,646**
Depreciation for the period	-	11,496	29,858	186,597	47,440	94,739	17,632	387,762
Cumulative translation adjustment	-	3,179	3,964	60,347	24,730	33,891	14,428	140,539
Balance as at September 30, 2017	**$ -**	**$ 49,575**	**$ 60,572**	**$ 930,747**	**$ 369,369**	**$ 526,106**	**$ 211,578**	**$ 2,147,947**
CARRYING AMOUNTS								
As at December 31, 2016	**$ 231,901**	**$ 372,655**	**$ 11,898**	**$ 704,314**	**$ 131,948**	**$ 27,666**	**$ 105,253**	**$ 1,585,635**
As at September 30, 2017	**$ 249,493**	**$ 388,896**	**$ 53,866**	**$ 718,981**	**$ 174,553**	**$ 81,930**	**$ 104,507**	**$ 1,772,226**

(Expressed in U.S. dollars)

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2017	December 31, 2016
Trade payables	$ 709,551	$ 943,922
Accrued vacation	167,452	217,036
Accrued liabilities	1,228,125	1,270,306
Other payables	208,875	59,679
	$ 2,314,003	$ 2,490,943

14. DAMAGES PROVISION

	September 30, 2017	December 31, 2016
Initial damages	$ 70,000,000	$ 70,000,000
Enhanced damages	21,000,000	21,000,000
Pre-judgment interest	20,675,154	20,675,154
Accrued post-judgment interest	748,658	105,942
	$ 112,423,812	$ 111,781,096

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, during post-trial motions, the judge awarded $21 million enhanced damages on those claims and on January 18, 2017 during post-trial motions the judge awarded $20,675,154 in pre-judgment interest and $2,354 per day in post-judgment interest from November 21, 2016. As at September 30, 2017, the Company has accrued $748,658 in post-judgment interest. On November 13, 2017, the final mandate of the Appeals Court was issued and approximately $70 million was released from escrow to CardiAQ to partially settle the approximately $112 million damages and interest awards and approximately $42 million is now due and payable (see Notes 7, 22 and 23).

15. SHARE CAPITAL

All common shares are equally eligible to receive dividends and the repayment of capital and represent one vote at shareholdersô meetings.

All preferred shares have no voting rights at shareholdersômeetings but on liquidation, winding-up or other distribution of the Companyѳ assets are entitled to participate in priority to common shares. There are no preferred shares issued and outstanding.

(a) Authorized

Unlimited number of common shares without par value.
Unlimited number of preferred shares without par value.

(b) Issued and outstanding

	Common Shares Number	Common Shares Amount	Contributed Surplus
Balance, January 1, 2016	**66,764,947**	**$ 161,505,037**	**$ 20,569,110**
Issued for cash pursuant to a private placement (i)	11,817,000	7,090,200	-
Share issue costs (i)	-	(35,540)	-
Issued for cash on exercise of options	101,398	152,976	(77,784)
Share-based payments	-	-	1,810,111
Balance, December 31, 2016	**78,683,345**	**$ 168,712,673**	**$ 22,301,437**
Issued for cash on exercise of options	237,343	469,948	(234,995)
Share-based payments	-	-	2,078,675
Balance, September 30, 2017	**78,920,688**	**$ 169,182,621**	**$ 24,145,117**

(Expressed in U.S. dollars)

15. SHARE CAPITAL (continued)

(b) Issued and outstanding (continued)

(i) On December 12, 2016, the Company closed a non-brokered private placement of 11,817,000 common shares of the Company at a price per share of $0.60 for aggregate gross proceeds of $7,090,200. All of the shares issued were purchased by Boston Scientific Corporation ("Boston Scientific"). Immediately following the closing of the private placement Boston Scientific owned 15% of the issued and outstanding common shares of the Company. The share issue costs incurred by the Company were $35,540. Concurrent to, and contingent upon, the non-brokered private placement Boston Scientific purchased certain assets from the Company.

(c) Stock options

The Company adopted an equity-settled stock option plan under which the directors of the Company may grant options to purchase common shares to directors, officers, employees and service providers (the "optionees") of the Company on terms that the directors of the Company may determine within the limitations set forth in the stock option plan. Effective June 18, 2014, at the Annual General Meeting ("AGM"), the board of directors and shareholders of the Company approved an amendment to the Company's incentive stock option plan to increase the number of options available for grant under the plan to 10,515,860, representing approximately 20% of the number of common shares of the Company outstanding on May 16, 2014.

Options under the Company's stock option plan granted to directors, officers and employees vest immediately on the grant date, unless a vesting schedule is specified by the board. The directors of the Company have discretion within the limitations set forth in the stock option plan to determine other vesting terms on options granted to directors, officers, employees and others. The minimum exercise price of a stock option cannot be less than the applicable market price of the common shares on the date of the grant and the options have a maximum life of ten years from the date of grant. The Company also assumed options from the acquisition of Neovasc Medical Ltd. and B-Balloon Ltd which were not issued under the Company's stock option plan. The following table summarizes stock option activity for the respective periods as follows:

	Number of options		Weighted average exercise price	Average remaining contractual life (years)
Options outstanding, January 1, 2016	**8,134,703**	**C$**	**3.92**	**2.22**
Granted	170,061		4.90	
Exercised	(101,398)		1.00	
Forfeited	(271,862)		6.37	
Expired	(56,800)		1.00	
Options outstanding, December 31, 2016	**7,874,704**	**C$**	**3.91**	**1.52**
Options exercisable, December 31, 2016	**6,800,066**	**C$**	**3.40**	**1.26**
Granted	1,844,500	C$	1.90	
Exercised	(237,343)		1.33	
Forfeited	(138,169)		4.46	
Expired	(114,390)		5.46	
Options outstanding, September 30, 2017	**9,229,302**	**C$**	**3.55**	**1.71**
Options exercisable, September 30, 2017	**7,688,068**	**C$**	**3.39**	**1.32**

The following table lists the options outstanding at September 30, 2017 by exercise price:

Exercise price	**Options outstanding**	**Weighted average remaining term (yrs)**	**Options exercisable**	**Weighted average remaining term (yrs)**
C$0.01	64,128	0.32	64,128	0.32
C$0.02-1.99	5,053,400	1.71	4,214,600	1.51
C$2.00-4.99	957,197	0.80	876,854	0.62
C$5.00-6.99	2,347,477	1.84	2,008,186	1.69
C$7.00-9.99	363,000	2.57	227,600	2.49
C$10.00-13.00	444,100	2.46	296,700	2.46
	9,229,302		7,688,068	

(Expressed in U.S. dollars)

15. SHARE CAPITAL (continued)

(c) Stock options (continued)

The following table lists the options outstanding at December 31, 2016 by exercise price:

Exercise price	Options outstanding	Weighted average remaining term (yrs)	Options exercisable	Weighted average remaining term (yrs)
C$0.01	79,482	1.05	79,482	1.05
C$0.02-1.99	3,452,300	0.31	3,452,300	0.31
C$2.00-4.99	1,045,111	1.56	883,817	1.34
C$5.00-6.99	2,433,311	2.63	1,963,667	2.47
C$7.00-9.99	412,400	3.36	191,000	3.31
C$10.00-13.00	452,100	3.21	229,800	3.20
	7,874,704		6,800,066	

The weighted average share price at the date of exercise for share options exercised for the three months and nine months ended September 30, 2017 was $1.25 and $1.64, respectively (three and nine months ended September 30, 2016:$nil and $3.55). During the three and nine months ended September 30, 2017, the Company recorded $343,155 and $2,078,675, respectively, as compensation expense for share-based compensation awarded to eligible optionees (three and nine months ended September 30, 2016: $580,221 and $1,811,210, respectively). The Company used the Black-Scholes Option Pricing Model to estimate the fair value of the options at each measurement date using the following weighted average assumptions:

	2017	2016
Weighted average fair value	**$ 1.90**	$ 3.02
Dividend yield	**nil**	nil
Volatility	**110%**	77%
Risk-free interest rate	**1.12%**	0.75%
Expected life	**5 years**	5 years
Forfeiture rate	**6%**	1%

16. SEGMENT INFORMATION

The Company�s operations are in one business segment; the development, manufacture and marketing of medical devices. Each of the Company�s product lines has similar characteristics, customers, distribution and marketing strategies, and are subject to similar regulatory requirements. Substantially all of the Company�s long-lived assets are located in Canada. The Company carries on business in Canada and the United States. The Company earns revenue from sales to customers in the following geographic locations:

	For the three months ended September 30,		For the nine months ended September 30,	
	2017	2016	**2017**	2016
REVENUE				
United States	**$ 5,654**	$ 1,716,650	**$ 478,702**	$ 3,158,948
Europe	**1,215,557**	1,261,681	**3,299,022**	3,264,187
Rest of the World	**153,682**	55,669	**383,665**	328,539
	$ 1,374,893	$ 3,034,000	**$ 4,161,389**	$ 6,751,674

Sales to the Company�s four largest customers accounted for approximately 56%, 11%, 6%, and 5% of the Company�s sales for the nine months ended September 30, 2017. Sales to the Company�s four largest customers accounted for approximately 34%, 32%,16%, and 3% of the Company�s sales for the nine months ended September 30, 2016.

(Expressed in U.S. dollars)

17. EMPLOYEE BENEFITS EXPENSE

	For the three months ended September 30, **2017**	For the three months ended September 30, 2016	For the nine months ended September 30, **2017**	For the nine months ended September 30, 2016
Salaries and wages	**$ 2,096,247**	$ 2,512,333	**$ 6,546,851**	$ 7,541,996
Pension plan and employment insurance	**107,572**	134,330	**429,867**	473,960
Contribution to defined contribution pension plan	**47,906**	55,224	**139,590**	161,254
Health benefits	**149,404**	195,294	**446,373**	690,296
Cash-based employee expenses	**2,401,129**	2,897,181	**7,562,681**	8,867,506
Share-based payments	**343,155**	580,222	**2,078,675**	1,811,210
Total employee expenses	**$ 2,744,284**	$ 3,477,403	**$ 9,641,356**	$ 10,678,716

18. DEPRECIATION, SHARE-BASED PAYMENTS, EMPLOYEE AND OTHER EXPENSES

	For the three months ended September 30, **2017**	For the three months ended September 30, 2016	For the nine months ended September 30, **2017**	For the nine months ended September 30, 2016
COST OF GOODS SOLD				
Depreciation	**$ 17,471**	$ 59,020	**$ 36,330**	$ 167,345
Share-based payments	**19,630**	64,710	**55,172**	143,139
Cash-based employee expenses	**551,054**	558,250	**1,820,933**	2,076,565
Other expenses	**71,531**	1,519,460	**428,582**	2,651,743
	659,686	2,201,440	**2,341,017**	5,038,792
EXPENSES				
Selling expenses				
Share-based payments	**$ 29,142**	$ 34,021	**$ 75,282**	$ 118,059
Cash-based employee expenses	**60,335**	27,771	**122,866**	82,783
Other expenses	**164,314**	147,092	**467,193**	354,063
	253,791	208,884	**665,341**	554,905
General and administrative expenses				
Depreciation	**17,717**	35,095	**75,738**	105,511
Share-based payments	**103,337**	181,294	**878,833**	604,831
Cash-based employee expenses	**644,774**	668,532	**2,019,092**	1,982,620
Litigation expenses	**563,082**	1,908,115	**2,043,848**	11,738,246
Other expenses	**535,392**	673,789	**2,348,723**	2,290,146
	1,864,302	3,466,825	**7,366,234**	16,721,354
Product development and clinical trials expenses				
Depreciation	**106,846**	120,993	**275,912**	289,232
Share-based payments	**191,046**	300,196	**1,069,388**	945,181
Cash-based employee expenses	**1,144,966**	1,642,628	**3,599,790**	4,725,538
Other expenses	**2,979,783**	2,678,874	**8,781,854**	8,570,562
	4,422,641	4,742,691	**13,726,944**	14,530,513
TOTAL EXPENSES	**$ 6,540,734**	$ 8,418,400	**$ 21,758,519**	$ 31,806,772
Depreciation per Statements of Cash Flows	**$ 142,034**	$ 215,108	**$ 387,762**	$ 562,088
Share-based payments per Statements of Cash Flows	**$ 343,155**	$ 580,221	**$ 2,078,675**	$ 1,811,210
Cash-based employee expenses (see Note 17)	**$ 2,401,129**	$ 2,897,181	**$ 7,562,681**	$ 8,867,506

(Expressed in U.S. dollars)

19. OPERATING LEASES

The Company entered into an agreement for additional office space in September 2014 in Richmond, Canada. The agreement did not contain any contingent rent clauses, or purchase options or escalation clauses. The term of the lease was 36 months commencing on October 1, 2014. The lease contained an option to renew for an additional 36 months. In February 2017, the Company renewed the lease and added additional office premises. The term of the combined lease is 60 months commencing June 1, 2017. The amended agreement does not contain any contingent rent clauses, or purchase options or escalation clauses.

The Company entered into an agreement for additional office space in September 2014 in Minneapolis. The agreement did not contain any contingent rent clauses, or purchase options or escalation clauses. The original term of the lease was 66 months commencing on September 1, 2014. Additional office space was added in July 2015 in Minneapolis. The term of the combined lease is 69 months commencing on July 1, 2015. The lease contains an option to renew for an additional 36 months.

The Company entered into an agreement for additional office space in December 2016 in Richmond, Canada. The agreement does not contain any contingent rent clauses, renewal or purchase options or escalation clauses. The term of the lease is 24 months commencing on December 19, 2016.

The future minimum operating lease payments due over the next five years and thereafter are as follows:

	As at September 30, **2017**	2016
Year 1	**$ 344,910**	$ 217,305
Year 2	**326,219**	186,178
Year 3	**310,656**	77,524
Year 4	**267,274**	79,849
Year 5	**178,183**	33,837
	$ 1,427,242	$ 594,693

Lease payments recognized as an expense during the three and nine months ended September 30, 2017 amounted to $107,327 and $350,659 (three and nine months ended September 30, 2016: $88,265 and $290,008).

20. LOSS PER SHARE

Both the basic and diluted loss per share have been calculated using the loss attributable to shareholders of the Company as the numerator. The weighted average number of common shares outstanding used for basic loss per share for the three and nine months ended September 30, 2017 was 78,903,255 and 78,837,436 shares, respectively (three and nine months ended September 30, 2016: 66,866,345 and 64,846,982 shares, respectively).

	For the three months ended September 30, **2017**	For the three months ended September 30, 2016	For the nine months ended September 30, **2017**	For the nine months ended September 30, 2016
Weighted average number of common shares	**78,903,255**	66,866,345	**78,837,436**	66,846,982
Loss for the period	**$ (4,695,960)**	$ (29,135,086)	**$ (17,882,255)**	$(123,708,684)
Basic loss per share	**$ (0.06)**	$ (0.44)	**$ (0.23)**	$ (1.85)

As the Company is currently operating at a loss no dilutive potential ordinary shares have been identified as the conversion would lead to a decrease in loss per share.

(Expressed in U.S. dollars)

21. RELATED PARTY TRANSACTIONS

The Company's key management personnel include members of the board of directors and executive officers. The Company provides salaries or cash compensation, and other non-cash benefits to directors and executive officers.

	For the three months ended September 30,		For the nine months ended September 30,	
	2017	2016	**2017**	2016
Short-term employee benefits				
Employee salaries and bonuses	**$ 320,929**	$ 309,247	**$ 1,068,451**	$ 913,593
Directors fees	**62,288**	67,815	**193,392**	180,544
Social security and medical care costs	**2,521**	6,031	**28,108**	28,809
	385,738	383,093	**1,289,951**	1,122,946
Post-employment benefits				
Contributions to defined contribution pension plan	**3,807**	3,996	**11,774**	11,713
Share-based payments	**27,944**	53,349	**977,483**	201,582
Total key management remuneration	**$ 417,489**	$ 440,438	**$ 2,279,208**	$ 1,336,241

22. CONTINGENT LIABILITIES AND PROVISIONS

Litigation expenses are legal and other expenses incurred in litigation matters during the period. The legal costs associated with defending legal claims in the current period include 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 a breach of contract relating to Neovasc's transcatheter mitral valve technology, including the Tiara, and a complaint filed by CardiAQ against Neovasc in Germany requesting that Neovasc assign its right to one of its European patent applications to CardiAQ.

Litigation with CardiAQ

The Company is engaged as an appellant and a defendant in lawsuits involving CardiAQ, as further described below. Litigation resulting from CardiAQ's claims is expected to be costly and time-consuming and could divert the attention of management and key personnel from our business operations. Although we intend to vigorously defend ourselves against these claims, we cannot assure that we will succeed in appealing and defending any of these claims and that judgments will not be upheld against us. Litigation is inherently uncertain. Therefore, until these mattes have been resolved to their conclusion, by the appropriate courts the Company cannot give any assurance as to the outcome. The Company is faced with significant monetary damages that exceed its resources and if we are unsuccessful in our appeal and defense of these claims or unable to settle the claims in a manner satisfactory to us, we may be faced with additional significant monetary damages and/or loss of intellectual property rights that could have a material adverse effect on the Company and its financial condition. These circumstances indicate the existence of a material uncertainty and cast material doubt on the Company's ability to continue as a going concern.

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

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 and awarded $70 million on the trade secret claim for relief, and no damages on the contractual claims for relief.

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.

Following post-trial motions, on October 31, 2016, the Court awarded CardiAQ $21 million in enhanced damages on the trade secret claim for relief, and denied Neovasc's motions for a new trial.

22. CONTINGENT LIABILITIES AND PROVISIONS (continued)

On October 31, 2016, the Court also denied CardiAQ’s motion for an injunction that would have shut down the development of the Tiara for 18 months, thus allowing the Company to continue development and commercialization of the Tiara. 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 Company filed a timely certification of compliance with this injunction.

In the cause of action relating to patent inventorship, CardiAQ claimed that two individuals should be added as inventors to a Neovasc patent. In the October 31, 2016 order, the Court also ruled on the patent inventorship claim. In that order, the Court ruled in favor of CardiAQ on the issue of inventorship of Neovasc’s patent. There are no monetary awards associated with these matters and no damages award has been recognized. The Company is appealing this decision of the Court. Unless the Company is successful at appeal, two individuals associated with CardiAQ will be added as inventors to Neovasc’s patent.

On December 23, 2016, the Court issued a stipulated order under which enforcement of the judgment was stayed pending appeal, pursuant to which Neovasc placed $70 million in a joint escrow account and also executed a General Security Agreement with CardiAQ on January 5, 2017. That approximately $70 million has now been released from escrow to CardiAQ. Neovasc will still require court approval for transactions outside the course of normal business until such time that the Company settles the remaining damages and interest award.

On January 18, 2017, the Court issued a final judgment, and granted CardiAQ’s motion for pre- and post-judgment interest. The Court awarded $20,675,154 in pre-judgment interest and $2,354 per day in post-judgment interest from November 21, 2016.

Neovasc filed a renewed notice of appeal with the United States Court of Appeals for the Federal Circuit (the “Appeals Court”) on January 18, 2017. CardiAQ subsequently filed a notice of cross-appeal. Neovasc moved the Appeals Court to expedite its appeal on January 24, 2017. The Company appealed the validity of the award, the ruling on inventorship, and related issues stemming from the trial court verdict and October 31 order. Oral argument took place before a three-judge panel of the Appeals Court on August 8, 2017. On September 1, 2017, the Appeals Court affirmed the trial court judgment against Neovasc, and denied CardiAQ’s cross-appeal as well. On October 2, 2017, Neovasc petitioned the Appeals Court for an en banc rehearing. CardiAQ also filed a petition with the Appeals Court for panel rehearing and en banc rehearing as to the trial court’s denial of its request for an 18-month injunction against the Tiara devices.

On November 3, 2018 the Appeals Court denied the petition for panel rehearing and en banc rehearing filed by CardiAQ and denied the petition for en banc rehearing filed by the Company. On November 13, 2017, the final mandate was issued by the court, approximately $70 million was released from escrow to CardiAQ to partially settle approximately $112 million damages and approximately $42 million is now due and payable. On November 9, 2017 the Company announced a financing for gross proceeds of approximately $65 million. The financing is expected to close on November 17, 2017 upon satisfaction of the closing conditions and the Company intends to use approximately $42 million from the proceeds to settle the remaining damages.

The German Litigation
On June 23, 2014, CardiAQ also filed a complaint against Neovasc in Munich, Germany (“the German Court”) requesting that Neovasc assign its right to one of its European patent applications to CardiAQ. After a hearing held on December 14, 2016, the German Court rendered its decision on June 16, 2017, granting co-ownership of the European patent application to CardiAQ but denying their claim for full entitlement. There are no monetary awards associated with these matters and no damages award has been recognized. On July 14, 2017, Neovasc filed a notice of appeal against the German Court’s decision with the Appeals Court of Munich. On July 20, 2017, CardiAQ filed a notice of appeal with the same court. Both parties have in the meantime substantiated their respective appeals, and by way of case management order of October 18, 2017, the Appeals Court of Munich has now provisionally set the hearing date in this matter for April 12, 2018. There is likely to be further exchanges of written submissions between the parties in the run-up to that hearing.

Additional Claims by CardiAQ in the United States
On March 24, 2017, CardiAQ filed a related lawsuit in the Court, asserting two claims for correction of patent inventorship as to Neovasc’s U.S. Patents Nos. 9,241,790 and 9,248,014. On October 4, 2017, it amended its pleading to add a third claim for correction of patent inventorship as to Neovasc’s U.S. Patent No. 9,770,329. The lawsuit does not seek money damages and would not prevent the Company from practicing these patents. The Company has not yet filed its response to the complaint. Litigation is inherently uncertain. Therefore, until these mattes have been resolved to their conclusion, by the appropriate courts the Company cannot give any assurance as to the outcome.

When the Company assesses that it is more likely 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 and contingent liability disclosure is required. As at September 30, 2017, the Company has fully provided for the damages awards described above (see Note 14).

22. CONTINGENT LIABILITIES AND PROVISIONS (continued)

Other Matters

By way of Amended Statement of Claim in Federal Court of Canada Action T-1831-16 (the ñActionò) Neovasc Inc. and Neovasc Medical Inc. (the ñNeovasc Defendantsò) were added as defendants to an existing action commenced by Edwards Lifesciences PVT, Inc. and Edwards Lifesciences (Canada) Inc. against Livanova Canada Corp., Livanova PLC, Boston Scientific Corporation and Boston Scientific Ltd. (collectively, the ñBSC/Livanova Defendantsò). The Action was first filed in October 2016 and first concerned an allegation by the plaintiffs that the manufacturing, assembly, use, sale and export of the Lotus Aortic Valve devices by the BSC/Livanova Defendants infringes on the plaintiffsô patents. In February, 2017, the Neovasc Defendants were added to the plaintiffsô claim making related allegations. In summary, the plaintiffs make three types of allegations as against the Neovasc Defendants: (a) indirect infringement claims; (b) direct infringement claims; and (c) claims of inducement. The plaintiffs seek various declarations, injunctions and unspecified damages and costs. Defenses have yet to be filed. The Neovasc Defendants intend to vigorously defend themselves against these claims. Litigation is inherently uncertain. Therefore, until these mattes have been resolved to their conclusion, by the appropriate courts the Company cannot give any assurance as to the outcome.

When the Company assesses that it is more likely that no present obligation exists at the end of the reporting period and that the possibility of an outflow of economic resources embodying economic benefits is remote, no provision is recognized and no contingent liability disclosure is required.

23. SUBSEQUENT EVENTS

FDA Approval for Reducer

On November 3, 2017 the Company received approval of the U.S. Food and Drug Administration ("FDA") to initiate the COSIRA-II IDE pivotal clinical trial. The trial's purpose will be to demonstrate the safety and effectiveness of the Company's novel Reducer system for treatment of patients with refractory angina. Once completed, the trial data is intended to support an application to the FDA for approval to begin marketing Reducer in the United States.

Court Matters

On October 2, 2017, Neovasc petitioned the Appeals Court for an en banc rehearing. CardiAQ also filed a petition with the Appeals Court for panel rehearing and en banc rehearing as to the trial courtõs denial of its request for an 18-month injunction against the Tiara devices. On November 3, 2017 the Appeals Court denied the petition for panel rehearing and en banc rehearing filed by CardiAQ and denied the petition for en banc rehearing filed by the Company. On November 13, 2017, the final mandate was issued by the Appeals Court, approximately $70 million was released from escrow to CardiAQ to partially settle approximately $112 million damages and approximately $42 million is now due and payable.

Financings

On November 9, 2017, the Company announced the Financings for gross proceeds of approximately $65 million. Assuming successful completion of the Financings, the Company intends to use the net proceeds to fully fund the approximately $42 million balance of the damages and interest awards granted in the litigation with CardiAQ (after subtracting the approximately $70 million that the Company has paid into escrow), with remaining funds being used (i) to partially fund the ongoing Tiara clinical program; (ii) to support the completion of the TIARA-II study; and (iii) for general corporate purposes. For a more fulsome description of the terms of the Financing and the securities offered thereunder, see the Prospectus Supplement.

On November 9, 2017, the Company priced an underwritten Public Transaction offering of 6,609,588 Series A units (the "Series A Units") of Neovasc and 19,066,780 Series B units (the "Series B Units" and together with the Series A Units, the "Units") of the Company, at a price of $1.46 per Unit for gross proceeds of approximately $37.487 million, before deducting the underwriting discounts and commissions and other estimated offering expenses payable by Neovasc (the "Offering"). The price of $1.46 per Unit represents the market price (as defined in the TSX Company Manual) of Neovasc's common shares ("Common Shares") as of the date of the announcement of the Financings.

Each Series A Unit will be comprised of (i) one common share of the Company (each, a "Unit Share"), (ii) one Series A common share purchase warrant of the Company (each, a "Series A Warrant"), (iii) one Series B common share purchase warrant Neovasc (each, a "Series B Warrant") and (iv) 0.40 Series C warrant (each, a "Series C Warrant") to purchase a unit (each, a "Series C Unit") comprised of one Common Share, one Series A Warrant and one Series B Warrant. Each Series B Unit will be comprised of (i) either one Unit Share or one pre-funded Series D common share purchase warrant of the Company (each, a "Series D Warrant"), (ii) one Series A Warrant, (iii) one Series B Warrant, (iv) 0.40 Series C Warrant, and (v) 1.1765 Series F common share purchase warrant of the Company (each, a "Series F Warrant").

23. SUBSEQUENT EVENTS (continued)

Financing (continued)

Concurrent with the Public Transaction, the Company will be completing a Private Placement for the sale of $32,750,000 aggregate principal amount of senior secured convertible notes of the Company for gross proceeds of $27,837,500 (the "Notes") and Series E warrants (the "Series E Warrants") to purchase one Common Share per Series E Warrant. Completion of the Public Transaction and the Private Placement (the "Transaction") are each conditional upon completion of the other.

Each Series A Warrant will entitle the holder to purchase one Common Share (each, a "Series A Warrant Share") at an exercise price of $1.61 per Series A Warrant Share for a period of five years following issuance. Each Series B Warrant will entitle the holder to purchase one Common Share (each, a "Series B Warrant Share") at an exercise price of $1.61 per Series B Warrant Share for a period of two years following issuance. Each Series C Warrant will entitle the holder to purchase a Series C Unit comprised of a Common Share (each a "Series C Unit Share"), a Series A Warrant and a Series B Warrant, at an exercise price of $1.46 per Series C Unit for a period of two years following issuance. Each Series D Warrant will entitle the holder to purchase one Common Share (each, a "Series D Warrant Share") at an exercise price of $1.46 per Series D Warrant Share, all of which will be pre-funded except for a nominal exercise price of $0.01 per Series D Warrant Share for a period of five years following issuance. Each Series F Warrant will entitle the holder to purchase one Common Share (each, a "Series F Warrant Share" and together with the Series A Warrant Shares, Series B Warrant Shares, Series C Unit Shares, and Series D Warrant Shares, the "Warrant Shares") at an exercise price of $1.61 per Series F Warrant Share for a period of two years following issuance. The Warrants are subject to adjustment, at any time prior to their expiry. The exercise price of the Series A Warrants, Series B Warrants and Series F Warrants are subject to full ratchet adjustment in certain circumstances. If a registration statement covering the issuance or resale of the Warrant Shares is not available for the issuance or resale of such Warrant Shares each Series A Warrant, Series B Warrant, Series D Warrant and Series F Warrant may be exercised on a "net" or "cashless" basis. Each Series B Warrant and Series F Warrant may be exercised on an Alternate Net Number (as defined below) basis.

The Notes will be issued with an original issue price of $850 per $1,000 principal amount of note. The Notes will have an 18-month term and carry an interest rate of 0.0% per annum (increasing to 15% upon an event of default) from the closing date of the Concurrent Private Placement. Interest on the Notes will commence accruing on the date of issue, will be computed on the basis of a 360-day year and twelve 30-day months and will be payable in cash on January 1, 2018 and on the first day of each calendar quarter thereafter up to, and including, the maturity date. The Notes will be secured by a first priority security interest on all of Neovascôs assets. The Notes contain among other things, provisions relating to the future-priced conversion or exercise formula and full-ratchet anti-dilution and the Series E Warrants contain full-ratchet anti-dilution. The Notes and the Series E Warrant are subject to adjustment, at any time prior to their expiry. The Series E Warrants will have the same terms and conditions as the Series A Warrants. If a registration statement covering the issuance or resale of the Warrant Shares is not available for the issuance or resale of such Warrant Shares each Series E Warrant may be exercise on a ñnetò or ñcashlessò basis.

Pursuant to the Transaction, Neovasc will issue up to an aggregate of 25,676,368 Common Shares or Series D Warrants, 25,676,368 Series A Warrants, 25,676,368 Series B Warrants, 10,273,972 Series C Warrants, and 22,431,506 Series F Warrants as well as the Notes and up to 22,431,506 Series E Warrants.

The Notes will be secured by a first priority security interest on all of Neovasc's assets. The Notes and Series E Warrants are subject to adjustment, at any time prior to their expiry. The Notes contain, among other things, provisions relating to future-priced conversion or exercise formula and full-ratchet anti-dilution and the Series E Warrants contain full-ratchet anti-dilution. If a registration statement covering the issuance or resale of the Warrant Shares is not available for the issuance or resale of such Warrant Shares each Series E Warrant may be exercised on a "net" or "cashless" basis.

The Company has applied to the TSX, pursuant to the provisions of Section 604(e) of the Manual, for a "financial hardship" exemption from the requirement to obtain shareholder approval, on the basis that the Corporation is in serious financial difficulty and the Transaction is designed to address these financial difficulties in a timely manner. There can be no assurance that the TSX will accept the application for the use of the financial hardship exemption from the requirement to obtain shareholder approval for the Transaction. Assuming TSX approval for the Offering, Concurrent Private Placement and the financial hardship application is obtained, it is expected that the Transaction will close on November 17, 2017.

Remedial TSX Delisting Review

On November 13, 2017, the TSX reports that Neovasc Inc. is under a remedial delisting review. The company has 120 days to regain compliance with the exchange's continued listing requirements. It has been the practice of TSX to place a listed issuer relying on the financial hardship exemption under review for continued listing. While TSX believes that these measures contribute to limiting reliance by listed issuers on the financial hardship exemption, particularly because of the current challenging economic times, TSX seeks to ensure that the financial hardship exemption is being used appropriately. The company will respond to TSX requests for information and remains hopeful that the company will be permitted to remain listed on the exchange.

24. AUTHORIZATION OF FINANCIAL STATEMENTS

The condensed interim consolidated financial statements for the three and nine months ended September 30, 2017 (including comparatives) were approved by the audit committee on behalf of the board of directors on November 14, 2017.

(signed) ***Alexei Marko***

Alexei Marko, Director

(signed) ***Steve Rubin***

Steve Rubin, Director