



NUVO ANNOUNCES 2006 YEAR END FINANCIAL RESULTS

Mississauga, Ontario, Canada – February 28, 2007 - Nuvo Research Inc. (TSX: NRI) today announced its financial and operational results for the year and the fourth quarter ended December 31, 2006. Effective December 31, 2005 the Company changed its financial year-end from May 31 to December 31, making its future financial results more readily comparable to those of other biotechnology companies. Unless otherwise noted, all comparative figures are for the four-month and seven-month periods ended December 31, 2005.

2006 Key Product Highlights:

- Received an Approvable Letter for Pennsaid[®], a topical non-steroidal anti-inflammatory (NSAID) used for the treatment of osteoarthritis, from the U.S. Food and Drug Administration (FDA) indicating Pennsaid[®] is approvable subject to Nuvo satisfying certain conditions;
- Reported results from our Phase III Study 112 clinical trial which showed that all primary endpoints were met and Study 112E, a 52 week safety trial, which confirmed the long-term safety profile of Pennsaid[®]; and,
- The Journal of Rheumatology published Pennsaid[®] data which reaffirmed the efficacy and safety of Pennsaid[®] in the treatment of osteoarthritis.

2006 Key Corporate Highlights:

- Received total proceeds of \$7.9 million under the Early Warrant Incentive Program that commenced in 2006 and ended in January 2007;
- Signed licensing deals with Paladin Labs Inc. for the sale and marketing of Pennsaid[®] and Pennsaid[®] Plus in Canada;
- Appointed Dr. Dominic King-Smith as Vice President, New Product Planning & Development, responsible for identifying, evaluating, and recommending new pipeline products using Nuvo's transdermal drug delivery technologies;
- Strengthened the Scientific Advisory Board with the addition of Jonathan Wilkin, former Director of the FDA's Dermatology Division;
- Completed a bought deal financing for gross proceeds of \$15 million in June 2006, which attracted some of the leading U.S. based biotech institutional investors; and,
- Sold the former head office and an excess property in Québec in separate transactions for \$3.3 million realizing a net gain of \$812,000.

Financial Results:

	Three months ended December 31, 2006	Four months ended December 31, 2005	Year Ended December 31, 2006	Seven Months Ended December 31, 2005
Revenue	\$ 1,005	\$ 1,604	\$ 4,248	\$ 2,900
Loss from continuing operations	(3,142)	(4,286)	(13,195)	(5,887)
Net loss	\$ (3,012)	\$ (4,011)	\$ (13,015)	\$(5,623)

Revenues for the three-months ended December 31, 2006 were \$1.0 million compared with revenues of \$1.6 million for the four-months ended December 31, 2005. The decrease was

primarily due to the shorter reporting period and a significant decline in Canadian Pennsaid sales as Squire readjusted their inventory levels in the quarter. Pennsaid shipments to Canadian wholesalers for the three-months and twelve-months ended December 31, 2006 increased by 2% and 21%, respectively, over the three and twelve periods ended December 31, 2005. For the year, revenue was \$4.2 million an increase of \$1.3 million over the comparable period primarily due to the amortization of a full year of Canadian Pennsaid licensing revenue and the short duration of the comparable period.

Total operating expenses for the three-month period ended December 31, 2006 declined to \$3.9 million compared with \$5.3 million for the four-months ended December 31, 2005. The decrease in expenses is primarily due to the shorter reporting period. However, the mix of costs did change as higher selling, general and administrative expenses in the current quarter due to licensing activities, corporate governance and consulting costs and a foreign currency loss were offset by reductions in research and development expenditures, lower levels of stock-based compensation expense and interest income versus interest expense in the comparable period. For year ended December 31, 2006 operating expenses were \$16.4 million compared with expenses of \$9.8 million for the seven-month period ended December 31, 2005. The increase is almost entirely attributable to the short duration of the comparable period. Adjusting pro-rata for the length of the period expenses actually declined by approximately 2%.

Included in operating expenses are research and development (R&D) costs which were \$1.2 million for the three-month period ended December 31, 2006 compared with \$2.0 million for the four-months ended December 31, 2005. In the period ending December 31, 2005 the Company was incurring significant costs for the Pennsaid Phase III efficacy and safety trial ('Study 112') and the Pennsaid Phase III long-term open-label safety trial ('Study 112E'). During the current quarter the Company focused its efforts on the resubmitted NDA for Pennsaid and formulation and enhancer research activities at fqubed, our research facility in the United States. For the year R&D costs were \$6.6 million an increase of \$2.5 million versus the seven-month period ended December 31, 2005. The comparative period includes a significant level of costs related to conducting Studies 112 and 112E.

The loss from operations for the three-months ended December 31, 2006 was \$3.2 million versus \$4.4 million in the four-months ended December 31, 2005. The decline was again due to the shorter reporting period and the factors outlined in the preceding paragraphs. The Company recorded a \$0.1 million restructuring provision recovery in each of the periods and reported net income from discontinued operations of \$0.1 million in 2006 and \$0.3 million in 2005 related to Ophthalmic Products. As a result, the net loss for the three-months ended December 31, 2006 was \$3.0 million compared with \$4.0 million for the four-month period ended December 31, 2005. For the year the Company incurred a net loss of \$13.0 million an increase over the \$5.6 million for the seven-month period ended December 31, 2005 primarily due to the additional five months of operations and lower levels of other income.

Cash and cash equivalents on hand at December 31, 2006 of \$11.2 million were essentially unchanged versus September 30, 2006 as cash used by operating activities of \$3.4 million was offset by cash provided by financing activities, discontinued operations and the effect of changes in foreign currency exchange rates. At December 31, 2005 cash and cash equivalents were \$2.7 million.

During the fourth quarter of 2006, the Company generated \$3.2 million in net cash from financing activities that included: \$2.9 million from the exercise of warrants and stock options and employee contributions under the Stock Purchase Plan; \$500,000 in proceeds on the issuance of the debenture to Paladin; and, \$250,000 as an upfront licensing payment for Pennsaid Plus in Canada; offset by, \$417,000 in long-term and capital lease repayments. Amounts in the comparable period were insignificant. For the year, the Company generated

\$20.0 million primarily from a bought deal completed in June 2006 for net proceeds of \$13.7 million; \$4.5 million from the exercise of 10.7 million warrants; and, \$4.5 million from Squire related to upfront licensing payments and convertible debenture proceeds; offset by, \$3.1 million in debt repayments. Subsequent to year end, an additional 12.7 million warrants were exercised under the Company's warrant incentive program generating proceeds of \$5.2 million.

Detailed financial statements and the MD&A are available at www.nuvoresearch.com or www.sedar.com.

Corporate Development:

Subsequent to year end, Dr. Dominic King-Smith was appointed as Vice President, New Product Planning & Development, responsible for identifying, evaluating, and recommending new pipeline products using Nuvo's transdermal drug delivery technologies. Dr. Dominic King-Smith joined fqubed, Inc., Nuvo's US based research and development subsidiary, in 2003, prior to its acquisition by Nuvo, and has played a key role in establishing strong industry contacts and developing fqubed's intellectual property portfolio relating to its high throughput experimentation technology for identifying promising transdermal drug delivery compositions. Dr. King-Smith gained extensive business and product development experience during his eight year tenure at Biosym Technologies, Inc. and its successor companies, Molecular Simulations, Inc. and Accelrys, Inc. (NASDAQ:ACCL). He received his B.A. and Ph.D. degrees in physics and theoretical physics from Cambridge University, UK and held post doctoral fellowships at Cambridge University and Rutgers University.

Notice of Annual General Meeting

Nuvo will be holding its Annual Meeting of Shareholders on Tuesday, May 1, 2007 at 9:00 a.m. (EST) at the Gallery of the Toronto Stock Exchange (TSX) Broadcast & Conference Centre, The Exchange Tower, 130 King Street West, Toronto, Ontario, Canada.

About Pennsaid

Pennsaid® is a topical non-steroidal anti-inflammatory drug (NSAID) used for the treatment of osteoarthritis and is currently approved for sale in Canada and several European countries. Pennsaid® allows the diclofenac solution to be delivered to a specific site via the surface of the skin and thus limits complications associated with systemic delivery. According to published clinical trials, Pennsaid® is as effective as the maximum daily dose of comparable oral medication at relieving pain and stiffness associated with osteoarthritis of the knee, as well as improving overall well-being. There is currently no topical NSAID product approved in the approximately \$4 billion U.S. osteoarthritis pain relief market. In December 2006, the U.S. Food and Drug Administration issued an approvable letter that indicated Pennsaid® is approvable subject to Nuvo satisfying certain conditions.

About Nuvo Research Inc.

Nuvo is focused on developing innovative site-specific therapeutics that are delivered topically using the Company's skin-penetrating technologies. Nuvo's lead product is Pennsaid®, a topical non-steroidal anti-inflammatory drug (NSAID) used for the treatment of osteoarthritis. Nuvo intends to leverage its skin-penetrating technologies to create a portfolio of transdermal products targeting a variety of indications. Nuvo Research Inc. is a publicly traded, Canadian pharmaceutical company headquartered in Mississauga, Ontario, with manufacturing facilities in Varennes, Québec and Wanzleben, Germany and a research and development facility in San Diego, California. For more information, please visit www.nuvoresearch.com.

This release may contain forward-looking statements, subject to risks and uncertainties beyond management's control. Actual results could differ materially from those expressed here. Risk factors are discussed in the Company's annual information form filed with the securities commissions in each of the provinces of Canada. The Company undertakes no obligation to revise forward-looking statements in light of future events.

For more information:

Investor Relations:

Christina Bessant
Equicom Group Inc.
416-815-0700 x269
cbessant@equicomgroup.com

Summary financial statements attached:

CONSOLIDATED BALANCE SHEETS

(thousands of Canadian dollars)	As at December 31, 2006 \$	As at December 31, 2005 \$	As at May 31, 2005 \$
ASSETS			
CURRENT			
Cash and cash equivalents	11,213	2,716	3,418
Accounts receivable	968	612	813
Other receivable	375	-	-
Inventories	1,051	823	869
Prepaid expenses and other	892	569	414
Current assets of discontinued operations	-	-	39
TOTAL CURRENT ASSETS	14,499	4,720	5,553
Property, plant and equipment	3,120	3,216	2,790
Assets held for sale	-	2,321	2,245
TOTAL ASSETS	17,619	10,257	10,588
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
CURRENT			
Accounts payable and accrued liabilities	3,008	3,809	5,921
Short term loan	557	2,041	1,806
Deferred revenue	1,352	879	-
Current portion of long term debt and capital lease obligations	677	1,324	665
Current liabilities of discontinued operations	-	-	9
TOTAL CURRENT LIABILITIES	5,594	8,053	8,401
Deferred revenue	6,552	4,465	-
Long term debt and capital lease obligations	337	1,035	1,766
Debentures	1,999	1,158	898
TOTAL LIABILITIES	14,482	14,711	11,065
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Common shares	165,400	145,404	144,588
Warrants	9,402	9,720	9,720
Contributed surplus	4,885	3,957	3,127
Cumulative translation adjustment	114	114	114
Deficit	(176,664)	(163,649)	(158,026)
TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)	3,137	(4,454)	(477)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)	17,619	10,257	10,588

CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT

(thousands of Canadian dollars except per share amounts)	Year ended December 31, 2006 \$	Seven-months ended December 31, 2005 \$	Year ended May 31, 2005 \$
REVENUE			
Product and research contract revenue	3,459	3,226	10,112
Revenue allocation	-	(518)	(2,913)
Licensing fees	789	192	-
	4,248	2,900	7,199
EXPENSES			
Cost of goods sold	1,927	1,025	1,718
Research and development	6,618	4,122	5,991
Selling, general and administrative expenses	6,900	4,096	10,574
Stock-based compensation	1,235	839	957
Amortization of property, plant, and equipment	786	290	571
Foreign currency (gain) loss	89	(301)	(2,066)
Interest, net	786	773	1,072
	18,341	10,844	18,817
LOSS FROM OPERATIONS	(14,093)	(7,944)	(11,618)
Gain on sale of assets	947	-	-
Restructuring (costs) recovery	86	101	(5,740)
Impairment charges	(135)	-	(15,488)
Gain on sale of subsidiary	-	1,956	-
Gain on debt settlements	-	-	4,137
Amortization of intangibles	-	-	(1,135)
LOSS FROM CONTINUING OPERATIONS	(13,195)	(5,887)	(29,844)
NET INCOME FROM DISCONTINUED OPERATIONS	180	264	38
NET LOSS	(13,015)	(5,623)	(29,806)
Deficit, beginning of period	(163,649)	(158,026)	(141,383)
Retroactive adjustment for stock-based compensation	-	-	(2,143)
Accretion of acquisition commitments	-	-	(7,551)
Gain on restructuring acquisition commitments	-	-	22,857
DEFICIT, END OF PERIOD	(176,664)	(163,649)	(158,026)
Net income (loss) per common share from):			
– continuing operations – basic and diluted	\$(0.09)	\$(0.05)	\$(0.14)
– discontinued operations – basic and diluted	0.00	0.00	0.00
Net loss per common share – basic and diluted	\$(0.09)	\$(0.05)	\$(0.14)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(thousands of Canadian dollars)	Year ended December 31, 2006 \$	Seven-months ended December 31, 2005 \$	Year ended May 31, 2005 \$
OPERATING ACTIVITIES – continuing operations			
Net loss	(13,195)	(5,887)	(29,844)
Items not involving current cash flows:			
Amortization	786	290	1,706
Deferred revenue recognized	(1,015)	(192)	-
Stock-based compensation and payments	1,297	939	957
Accretion of interest on debentures	569	272	261
Impairment charges	135	-	15,488
Loss (gain) on disposal of property, plant & equipment	(947)	-	3,758
Gain on sale of subsidiary	-	(1,956)	-
Non-cash foreign exchange gain on acquisition commitments	-	-	(1,982)
Gain on debt settlements	-	-	(4,137)
Other	16	-	-
Net change in non-cash working capital balances	(1,535)	(1,712)	2,036
CASH USED IN OPERATING ACTIVITIES – continuing operations	(13,889)	(8,246)	(11,757)
INVESTING ACTIVITIES – continuing operations			
Acquisition of fqubed, Inc.	-	(51)	-
Acquisition of property, plant and equipment	(593)	(11)	(97)
Proceeds from disposal of property, plant & equipment	2,758	28	63
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES – continuing operations	2,165	(34)	(34)
FINANCING ACTIVITIES – continuing operations			
Issuance of common shares, net of related costs	18,581	-	3,766
Issue of debentures, net of related costs	1,000	-	11,191
Proceeds from license and supply agreements	3,500	5,500	-
Repayment of short term loan	(1,598)	-	-
Repayments of long term debt and capital lease obligations	(1,492)	(26)	(26)
Proceeds on sale of subsidiary	-	1,956	-
CASH PROVIDED BY FINANCING ACTIVITIES – continuing operations	19,991	7,430	14,931
Cash flow provided by discontinued operations	175	358	32
Effect of exchange rate changes on cash and cash equivalents	55	(210)	(170)
Net increase (decrease) in cash and cash equivalents during the period	8,497	(702)	3,002
Cash and cash equivalents, beginning of period	2,716	3,418	416
CASH AND CASH EQUIVALENTS, END OF PERIOD	11,213	2,716	3,418
Interest paid	451	241	755