



## NUVO ANNOUNCES FIRST QUARTER 2007 FINANCIAL RESULTS

**Mississauga, Ontario, Canada – May 1, 2007 - Nuvo Research Inc. (TSX: NRI)** today announced its fiscal and operational results for the first quarter ended March 31, 2007.

### First Quarter Highlights

During the first quarter the Company:

- Raised an additional \$5.2 million from its earlier announced early warrant incentive program;
- Continued discussions with the FDA regarding the Approvable Letter that confirmed Pennsaid could be approved for sale in the U.S. once certain conditions were satisfied. None of the conditions relate to the clinical efficacy or clinical safety of Pennsaid, which were evidenced in Nuvo's Phase III trials. Based on these discussions, the Company commenced studies that it expects to conclude in time to file a response to the FDA in the fourth quarter of 2007. The Company continues to correspond with the FDA to resolve other matters raised in the Approvable Letter including whether Nuvo should have to evidence the dermal safety of Pennsaid and its constituent components through longer term dermal animal safety studies. The Company remains hopeful that, based on the abundance of dermal safety data that it has submitted to the FDA, these studies will not be required or, if required, may be submitted post approval. Should the FDA require the Company to conduct these studies pre-approval, final U.S. approval for Pennsaid would be delayed to 2010 / 2011;
- Continued to validate, broaden and extend its proprietary formulations platform technology, multiplexed molecular penetration enhancer (MMPE™) technology. This process has yielded several attractive transdermal product possibilities. Patent protection for several MMPE™ systems have been applied for.

"Our top priority remains final approval of Pennsaid in the U.S. As such, we will continue our discussions with the FDA to resolve matters raised in the approvable letter as rapidly as possible," said Henrich Guntermann, President and CEO. "At the same time, we progress closer to our vision of becoming a leading transdermal delivery company. Our San Diego based Research and Development facility, fqubed Inc., has discovered several attractive transdermal product possibilities in our core area of focus, pain, and in other areas, using our proprietary MMPE™ technology. We are continuing to pursue these potential new products and to broaden our transdermal product pipeline with further development of new product formulations."

Nuvo continues to be in discussions with potential partners for the licensing of Pennsaid in the U.S. Prospective licensees are proceeding cautiously until the timing of the approval of Pennsaid by the FDA is clarified.

## Financial Results:

	<b>Three months ended March 31, 2007</b>	Three months ended March 31, 2006
Revenue	<b>\$ 978</b>	\$ 633
Loss from operations	<b>(3,487)</b>	(3,718)
Net loss	<b>\$ (3,487)</b>	\$(2,771)

Product and research contract revenue for the three-months ended March 31, 2007 increased 49% to \$728,000 compared with \$489,000 for the three-months ended March 31, 2006. This increase was primarily a result of the 137% increase in Pennsaid revenue which reflects initial orders related to the launch of Pennsaid in Greece by our distributor Vianex S.A. as well as an increase in orders from our Italian distributor. In Canada, shipments of Pennsaid to Canadian wholesalers in the first quarter increased by 6% over the comparable quarter last year but our reported Canadian sales were down 8% as Squire, our Canadian marketing partner, continued to adjust their inventory levels.

During the quarter ended March 31, 2007, Nuvo recorded \$250,000 in license fee revenue that was previously deferred, compared with \$144,000 for the comparable quarter ended March 31, 2006. This represents the systematic recognition of a portion of the up-front fees received from Squire in 2005 and 2006 for the Canadian marketing rights for Pennsaid.

Total operating expenses of \$4.1 million for the three-month period ended March 31, 2007 were unchanged from a year ago. However, the mix of costs did change as increases in research and development and selling, general and administrative expenses were offset by increased margin on higher revenue, lower levels of stock-based compensation expense and a decline in interest expense due to higher cash balances and lower debt levels.

Included in operating expenses are research and development (R&D) costs which were \$1.7 million for the three-month period ended March 31, 2007 compared with \$1.5 million for the three-months ended March 31, 2006. The increase is attributable to activities surrounding the Pennsaid approvable letter and the expansion of formulation and enhancer development activities at fqubed, our US based research facility. During the current quarter the Company established a Pennsaid project team to begin preparing the "roadmap" to address each of the FDA's issues as outlined in the December 2006 Approvable letter. As part of this process, the team has used several outside consultants to assist in determining appropriate responses to each issue and design any required study protocols. During the quarter the Company began the first of these studies and was preparing others to begin during the second quarter.

In the comparable period ending March 31, 2006 the Company completed the analysis of the Pennsaid Phase III efficacy and safety trial (designated 'Study 112') and the Pennsaid Phase III long-term open-label safety trial (designated 'Study 112E') which were a key part the Company's submission in June 2006 leading to the FDA approvable letter for Pennsaid received in December 2006. Research and development costs are expected to increase versus 2006 over the remainder of 2007 as the Company conducts the studies necessary to address the issues raised in the Approvable Letter and engages in a higher level of activity at fqubed.

The loss from operations for the three-months ended March 31, 2007 was \$3.5 million versus \$3.7 million in the three-months ended March 31, 2006. In January 2006 the Company sold its former head office in Markham, Ontario for \$2.7 million, net of commissions and closing costs resulting in a gain of \$0.9 million. As a result, the net loss for the three-months ended March 31, 2007 was \$3.5 million compared with \$2.8 million for the three-month period ended March 31, 2006. The net loss per common share was \$0.02 in both periods.

Cash and cash equivalents increased to \$13.2 million at March 31, 2007, compared to \$11.2 million at December 31, 2006 as cash provided by financing activities of \$5.0 million was only partially offset by cash used by operating activities of \$3.0 million.

During the first quarter of 2007, the Company generated \$5.0 million in net cash from financing activities that included \$5.3 million from the exercise of warrants offset by \$328,000 in long-term debt and capital lease repayments. In the comparable period, the Company generated \$3.6 million from financing activities the most significant of which were the transactions whereby the Company sold additional Pennsaid licensing rights in Canada to Squire Pharmaceuticals Inc. for proceeds of \$3.75 million, including a \$3.25 million upfront payment.

Detailed financial statements and the MD&A are available at [www.nuvoresearch.com](http://www.nuvoresearch.com) or [www.sedar.com](http://www.sedar.com).

#### **Corporate Development:**

Subsequent to quarter end, a settlement agreement was reached between Nuvo Research Inc. (formerly Dimethaid Research Inc.) and the Ontario Securities Commission (the "Commission"). The settlement provided that an independent expert would review Nuvo's disclosure practices and policies and that Nuvo would contribute \$15,000 towards the cost of the investigation. No fine or other penalty was assessed. The matter relates to the failure to disclose a non-approvable letter for Pennsaid received from the US FDA in August of 2002. After the new board of directors and management team took control of the Company on September 21 2004, they discovered the existence of the non-approvable letter, and disclosed it in a press release dated October 6, 2004.

#### **Notice of Annual Special 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.

Nuvo Research Inc.'s Annual and Special Meeting will be webcast in real time. The webcast can be viewed online starting at 9:00am at [www.nuvoresearch.com](http://www.nuvoresearch.com), and will be archived for 12 months.

#### **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](http://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:**

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Summary financial statements attached:

**NUVO RESEARCH INC.  
CONSOLIDATED BALANCE SHEETS**

(thousands of Canadian dollars)	As at March 31, 2007 Unaudited \$	As at December 31, 2006 Audited \$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	13,246	11,213
Accounts receivable	728	968
Other receivable	375	375
Inventories	942	1,051
Prepaid expenses and other	745	892
<b>TOTAL CURRENT ASSETS</b>	<b>16,036</b>	<b>14,499</b>
Property, plant and equipment	2,909	3,120
<b>TOTAL ASSETS</b>	<b>18,945</b>	<b>17,619</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	2,628	3,008
Short term loan	584	557
Deferred revenue	1,376	1,352
Current portion of long term debt and capital lease obligations	390	677
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,978</b>	<b>5,594</b>
Deferred revenue	6,252	6,552
Long term debt and capital lease obligations	296	337
Debentures	1,986	1,999
<b>TOTAL LIABILITIES</b>	<b>13,512</b>	<b>14,482</b>
<b>SHAREHOLDERS' EQUITY</b>		
Common shares	173,768	165,400
Warrants	6,654	9,402
Contributed surplus	5,048	4,885
Accumulated other comprehensive income	114	114
Deficit	(180,151)	(176,664)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>5,433</b>	<b>3,137</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>18,945</b>	<b>17,619</b>

**NUVO RESEARCH INC.**  
**CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT**

Unaudited (thousands of Canadian dollars except per share amounts)	<b>Three-months ended</b>	
	<b>March 31, 2007</b>	March 31, 2006
	\$	\$
<b>REVENUE</b>		
Product and research contract revenue	728	489
Licensing fees	250	144
	<b>978</b>	<b>633</b>
<b>EXPENSES</b>		
Cost of goods sold	361	253
Research and development	1,738	1,479
Selling, general and administrative expenses	1,849	1,715
Stock-based compensation	163	396
Amortization of property, plant, and equipment	211	177
Foreign currency loss	10	27
Interest, net	133	304
	<b>4,465</b>	<b>4,351</b>
<b>LOSS FROM OPERATIONS</b>	<b>(3,487)</b>	<b>(3,718)</b>
Gain on sale of assets	-	947
<b>NET LOSS FOR THE PERIOD AND TOTAL COMPREHENSIVE LOSS</b>	<b>(3,487)</b>	<b>(2,771)</b>
Deficit, beginning of period	<b>(176,664)</b>	<b>(163,649)</b>
<b>DEFICIT, END OF PERIOD</b>	<b>(180,151)</b>	<b>(166,420)</b>
<b>Net loss per common share – basic and diluted</b>	<b>\$(0.02)</b>	<b>\$(0.02)</b>

**NUVO RESEARCH INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Unaudited	Three-months ended	
(thousands of Canadian dollars)	March 31, 2007	March 31, 2006
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net loss	(3,487)	(2,771)
Items not involving current cash flows:		
Amortization	211	177
Deferred revenue recognized	(276)	(144)
Stock-based compensation and payments	295	396
Accretion of interest on debentures	145	131
Gain on sale of assets	-	(947)
Other	(12)	-
Net change in non-cash working capital balances	160	(104)
<b>CASH USED IN OPERATING ACTIVITIES</b>	<b>(2,964)</b>	<b>(3,262)</b>
<b>INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	-	(329)
Proceeds from sale of assets	-	2,744
<b>CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>-</b>	<b>2,415</b>
<b>FINANCING ACTIVITIES</b>		
Issuance of common shares, net of related costs	5,330	1,903
Issue of debenture	-	500
Proceeds from license and supply agreements	-	3,250
Repayment of short term loan	-	(1,598)
Repayments of long term debt and capital lease obligations	(328)	(430)
<b>CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>5,002</b>	<b>3,625</b>
Effect of exchange rate changes on cash and cash equivalents	(5)	15
Net increase in cash and cash equivalents during the period	2,033	2,793
Cash and cash equivalents, beginning of period	11,213	2,716
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>13,246</b>	<b>5,509</b>
<i>Interest paid</i>	<b>43</b>	<b>43</b>