



## NUVO ANNOUNCES SECOND QUARTER 2007 FINANCIAL RESULTS -RECEIVES FORMAL CLARIFICATION FROM FDA ON PENNSAID-

Mississauga, Ontario, Canada – August 2, 2007 - Nuvo Research Inc. (TSX: NRI) today announced its fiscal and operational results for the second quarter ended June 30, 2007.

### Highlights

- Subsequent to quarter end, the Company received official minutes from the U.S. Food and Drug Administration ("FDA") of a telephone conference meeting regarding the Approvable Letter for Pennsaid, its topical anti-inflammatory drug for the treatment of the symptoms of osteoarthritis. The minutes confirmed the contents of informal communications received from the FDA which were disclosed in a news release on June 19, 2007. Based on this confirmation, Nuvo will commence all requested long-term dermal animal studies. The longest study may be completed post approval, provided no safety concerns have arisen from any of the studies prior to resubmitting the application for Pennsaid approval. Nuvo has commenced other studies to respond to the Approvable Letter and expects to be in a position to file a complete resubmission of its application for Pennsaid approval with the FDA in the first half of 2009 and be eligible to receive final marketing approval in the second half of 2009. There can be no assurance that these anticipated timelines will be achieved, as they are dependant on a number of factors, including successful completion of other shorter studies to address other conditions within the Approvable Letter.
- Nuvo 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.
- Nuvo completed a bought deal financing for gross proceeds of \$20 million, which attracted some leading U.S. based institutional biotechnology investors.

"Our top priority remains obtaining approval for Pennsaid in the U.S. With clarification on the path forward from the FDA, we have a better idea of what needs to be done to obtain final approval of Pennsaid and we remain confident that it can be achieved," said Henrich Guntermann, President and CEO. "In parallel, we continue to develop our pipeline of transdermal products focusing primarily on pain with our high-throughput technology developed by our fqubed, Inc. subsidiary in San Diego."

### Financial Results:

	Three-months ended June 30, 2007	Three-months ended June 30, 2006	Six-months ended June 30, 2007	Six-months ended June 30, 2006
Revenue	\$ 1,435	\$ 1,360	\$ 2,413	\$ 1,993
Loss from Operations	(3,034)	(3,762)	(6,521)	(7,480)
Net Loss	\$ (3,034)	\$ (3,847)	\$ (6,521)	\$ (6,618)

Product sales and research contract revenue for the three-months ended June 30, 2007 decreased 3% to \$1.2 million compared to the three-months ended June 30, 2006. This

decrease is primarily the result of slightly lower Pennsaid revenue of \$881,000 during the three-months ended June 30, 2007 compared to \$932,000 for the three-months ended June 30, 2006. The higher Pennsaid revenue in the prior year quarter was primarily due to a spike in Canadian sales during June 2006 as our distributor, Squire Pharmaceuticals ("Squire"), introduced Pennsaid in its new product format. This new format consisted of a 120ml twin pack (two 60 ml bottles) versus a single 60ml bottle. While this level of sales was not repeated in June 2007 Canadian sales were nonetheless encouraging as they grew versus the first quarter of 2007. Partially offsetting the decrease versus a year ago was the increase in European sales as Vianex S.A. launched Pennsaid in Greece during February 2007 and sales to our Italian distributor increased. Product sales and research contract revenue for the six-months ended June 30, 2007 increased to \$1.9 million compared to \$1.7 million for the six-months ended June 30, 2006. This increase is primarily a result of the launch of Pennsaid in Greece and higher sales to our Italian distributor, partially offset by slightly lower sales in Canada.

During the quarter and six-months ended June 30, 2007, Nuvo recorded \$250,000 and \$500,000 in license fee revenue that was previously deferred, compared with \$144,000 and \$288,000 for the comparable quarter and six-months ended June 30, 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 decreased by 11% to \$3.9 million and 5% to \$8.0 million for the three and six-months ended June 30, 2007 compared to \$4.3 million and \$8.4 million for the comparable periods last year. This decrease is primarily due to lower research and development costs, stock-based compensation and interest expense offsetting increases in selling, general and administrative costs.

Included in operating expenses are research and development (R&D) costs which were \$1.7 million for the three-month period ended June 30, 2007, compared with \$2.2 million for the three-month period ended June 30, 2006. In the current quarter costs declined and were lower than expected as the Company delayed spending on some of the Approvable Letter related studies as it attempted to clarify the path to approval with the FDA. As a result of discussions in June 2007, that were confirmed in FDA minutes received in July 2007, the Company now has the clarity it requires to commence the longer term dermal animal studies. As a result, research and development spending for the remainder of 2007 is expected to be significantly higher than in 2006. In the comparative period R&D costs were higher than in 2007 as the Company employed a higher level of clinical, regulatory and research staff as it completed all work related to the FDA submission for Pennsaid and incurred filing fees related to the submission.

Research and developments costs for the six-month period declined to \$3.4 million compared to \$3.6 million for the six-month period ended June 30, 2006. The decrease is attributable to the delayed spending of the Approvable Letter related studies as discussed above, partially offset by the costs related to developing the plan (including all necessary studies) to address each of the FDA's issues as outlined in the Approvable Letter and continued activity at fqubed as the Company continues to validate, broaden and extend its proprietary multiplexed molecular penetration enhancer (MMPE™) formulations platform technology. The MMPE™ technology, developed through internal HTE campaigns, uses special combinations of molecular penetration enhancer (MPE™) materials to permeabilize the skin for enhanced delivery of a given drug. The Company is currently considering exploitation of the MMPE™ technology for onychomycosis, for which fungal kill assays were completed in the first quarter of 2007. In the comparable period ending June 30, 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 of the Company's June 2006 FDA submission for Pennsaid.

The loss from operations declined to \$3.0 million and \$6.5 million for the three and six-months ended June 30, 2007 compared to \$3.8 million and \$7.5 million in the three and six-months ended June 30, 2006. The decrease in the loss was a result of the increased margin on product sales and research contract revenue, an increase in licensing fee revenue, reduced net interest expense, lower research and development costs and stock-based compensation expense offset partially by higher SG&A costs.

Cash and cash equivalents decreased to \$9.3 million at June 30, 2007, compared to \$11.2 million at December 31, 2006 as cash used by operating and investing activities of \$6.7 million more than offset the \$4.8 million of cash provided by financing activities.

During the second quarter of 2007, the Company used \$0.2 million to fund scheduled debt repayments. In the comparable period, net cash provided by financing activities totaled \$13.5 million as the Company completed a bought deal financing consisting of 37.5 million units issued at a price of \$0.40 per Unit for net proceeds of \$13.7 million.

For the six-month period ending June 30, 2007, net cash provided by financing activities totaled \$4.8 million and consisted primarily of \$5.3 million in proceeds from the exercise of warrants offset by \$555,000 in debt repayments. In the comparable six-month period ended June 30, 2006 net cash provided by financing activities totaled \$17.1 million and consisted primarily of \$13.7 million relating to the June 2006 bought deal discussed above and the January 2006 transactions whereby the Company sold additional Pennsaid licensing rights in Canada for proceeds of \$3.75 million.

### **Subsequent Event**

On July 13, 2007, the Company closed a bought deal equity financing that was announced in June 2007 for a total of 100 million units ("Units") issued at a price of \$0.20 per Unit for gross proceeds of \$20 million ("July Bought Deal"). Each Unit consisted of one common share and one-half of a common share purchase warrant of the Company, each whole warrant entitling the holder thereof to acquire one common share at a price of \$0.30 per share until July 13, 2009. Net cash proceeds are estimated to be \$18.4 million, after deducting the underwriter's fee of 6% and the estimated expenses of the offering. As part of the transaction the underwriters will receive 5 million warrants (the "Underwriter Warrants") for services provided in conjunction with the July Bought Deal. The Underwriter Warrants are each exercisable into one Unit at a price of \$0.20 per Unit for a period of 24 months following the Closing Date.

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).

### **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 June 30, 2007 Unaudited \$	As at December 31, 2006 Audited \$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	9,258	11,213
Accounts receivable	1,009	968
Other receivable	375	375
Inventories	1,091	1,051
Prepaid expenses and other	904	892
<b>TOTAL CURRENT ASSETS</b>	<b>12,637</b>	<b>14,499</b>
Property, plant and equipment	2,883	3,120
Deferred financing costs	128	-
<b>TOTAL ASSETS</b>	<b>15,648</b>	<b>17,619</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	2,569	3,008
Short term loan	569	557
Deferred revenue	1,367	1,352
Current portion of long term debt and capital lease obligations	166	677
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,671</b>	<b>5,594</b>
Deferred revenue	5,952	6,552
Long term debt and capital lease obligations	270	337
Debentures	2,145	1,999
<b>TOTAL LIABILITIES</b>	<b>13,038</b>	<b>14,482</b>
<b>SHAREHOLDERS' EQUITY</b>		
Common shares	173,812	165,400
Warrants	6,482	9,402
Contributed surplus	5,387	4,885
Accumulated other comprehensive income	114	114
Deficit	(183,185)	(176,664)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>2,610</b>	<b>3,137</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>15,648</b>	<b>17,619</b>

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

Unaudited (thousands of Canadian dollars except per share amounts)	Three-months ended		Six-months ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
	\$	\$	\$	\$
<b>REVENUE</b>				
Product and research contract revenue	1,185	1,216	1,913	1,705
Licensing fees	250	144	500	288
	<b>1,435</b>	1,360	<b>2,413</b>	1,993
<b>EXPENSES</b>				
Cost of goods sold	587	777	948	1,030
Research and development	1,684	2,161	3,422	3,640
Selling, general and administrative expenses	1,699	1,437	3,548	3,152
Stock-based compensation	211	311	374	707
Amortization of property, plant, and equipment	215	196	426	373
Foreign currency gain	(91)	(63)	(81)	(36)
Interest, net	164	303	297	607
	<b>4,469</b>	5,122	<b>8,934</b>	9,473
<b>LOSS FROM OPERATIONS</b>	<b>(3,034)</b>	(3,762)	<b>(6,521)</b>	(7,480)
Gain on sale of assets	-	-	-	947
Impairment charge	-	(135)	-	(135)
<b>LOSS FROM CONTINUING OPERATIONS</b>	<b>(3,034)</b>	(3,897)	<b>(6,521)</b>	(6,668)
<b>NET INCOME FROM DISCONTINUED OPERATIONS</b>	-	50	-	50
<b>NET LOSS FOR THE PERIOD AND TOTAL COMPREHENSIVE LOSS</b>	<b>(3,034)</b>	(3,847)	<b>(6,521)</b>	(6,618)
Deficit, beginning of period	<b>(180,151)</b>	(166,420)	<b>(176,664)</b>	(163,649)
<b>DEFICIT, END OF PERIOD</b>	<b>(183,185)</b>	(170,267)	<b>(183,185)</b>	(170,267)
<b>Net loss per common share – basic and diluted</b>	<b>(0.01)</b>	(0.03)	<b>(0.03)</b>	(0.05)

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

Unaudited (thousands of Canadian dollars)	Three-months ended		Six-months ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Net loss from continuing operations	(3,034)	(3,897)	(6,521)	(6,668)
Items not involving current cash flows:				
Amortization	215	196	426	373
Deferred revenue recognized	(307)	(374)	(583)	(524)
Stock-based compensation and payments	211	311	506	707
Impairment charge	-	135	-	135
Accretion of interest on debentures	158	138	303	269
Gain on sale of assets	-	-	-	(947)
Other	(57)	-	(69)	-
Net change in non-cash working capital balances	(687)	236	(527)	130
<b>CASH USED IN OPERATING ACTIVITIES</b>	<b>(3,501)</b>	<b>(3,255)</b>	<b>(6,465)</b>	<b>(6,525)</b>
<b>INVESTING ACTIVITIES</b>				
Acquisition of property, plant and equipment	(189)	(54)	(189)	(383)
Proceeds from sale of assets	-	-	-	2,744
<b>CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>(189)</b>	<b>(54)</b>	<b>(189)</b>	<b>2,361</b>
<b>FINANCING ACTIVITIES</b>				
Issuance of common shares, net of related costs	-	13,787	5,330	15,690
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	(227)	(318)	(555)	(746)
<b>CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>(227)</b>	<b>13,469</b>	<b>4,775</b>	<b>17,096</b>
Effect of exchange rate changes on cash and cash equivalents	(71)	(23)	(76)	(2)
Net increase (decrease) in cash and cash equivalents during the period	(3,988)	10,137	(1,955)	12,930
Cash and cash equivalents, beginning of period	13,246	5,509	11,213	2,716
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>9,258</b>	<b>15,646</b>	<b>9,258</b>	<b>15,646</b>
<i>Interest paid</i>	<i>121</i>	<i>159</i>	<i>164</i>	<i>202</i>