



## **NUVO ANNOUNCES THIRD QUARTER 2007 FINANCIAL RESULTS -Hires Key Pain Specialist to Lead Nuvo's Pain Product Development-**

**Mississauga, Ontario, Canada – November 8, 2007 – Nuvo Research Inc. (TSX: NRI)**, a Canadian pharmaceutical company focused on developing site-specific therapeutics that are delivered topically using its skin-penetrating technologies, today announced its fiscal and operational results for the third quarter ended September 30, 2007.

### **Highlights**

- The Company has made substantial progress regarding studies to be provided to the FDA to address the conditions raised in the Approvable Letter of December 28, 2006. The Company believes it will be in a position to file a complete resubmission of its Pennsaid application to the FDA in early 2009 and be eligible to receive final marketing approval six months later.
- Significantly strengthened the Company's scientific team with the appointment of Dr. Bradley Galer to the position of Vice President. Dr. Galer has spent his career focused on pain management and most recently was the Vice President, Scientific Affairs and Senior Medical Officer for Endo Pharmaceuticals where he played a key role in the development and commercialization of the Lidoderm patch. Dr. Galer will be responsible for identifying, developing, and commercializing Nuvo topical pain products and will work closely with Nuvo's research and development team at its fqubed Inc. ("fqubed") facility in San Diego.
- Successfully launched Pennsaid in Greece with the Company's partner, Vianex, S.A. Pennsaid has already captured approximately 10% of its defined market in Greece.
- Strengthened its financial resources by completing a bought deal equity financing on July 13, 2007 for gross proceeds of \$20 million.
- Closed its international marketing office and subsequent to quarter end reduced its Mississauga, Ontario corporate office headcount by approximately one-third. This restructuring will reduce overhead expenses and is consistent with an increasing focus on research and development which will include a functional transition of human resources from administrative, clinical and regulatory conducted at the corporate office to research and development activities carried on primarily at fqubed in San Diego. Given the importance of Pennsaid's FDA approval, large financial outlays that do not directly support the Pennsaid approval process including clinical trials for other pipeline products may be limited until a U.S. licensing transaction for Pennsaid is completed.

"Our vision is to be a leading transdermal drug delivery company with a broad portfolio of products. Our top priority continues to be the approval of Pennsaid in the United States and signing a licensing deal for this market. We have made substantial progress regarding studies to be provided to the FDA in support of our application for final, unconditional Pennsaid approval," said Henrich Guntermann, President and Chief Executive Officer. "With the support of its five phase III clinical trials where all primary endpoints were met, we believe that Pennsaid will be the best-in class topical NSAID in the U.S."

## Financial Results:

	Three months ended September 30, 2007	Three months ended September 30, 2006	Nine months ended September 30, 2007	Nine months ended September 30, 2006
Revenue	\$ 2,558	\$ 1,250	\$ 4,971	\$ 3,243
Loss from operations	(3,031)	(3,385)	(9,552)	(10,865)
Net Loss	\$ (2,523)	\$ (3,385)	\$ (9,044)	\$ (10,053)

Revenues for the three-months ended September 30, 2007 doubled to \$2.6 million compared to \$1.3 million for the three-months ended September 30, 2006. This increase is primarily attributable to sales of Pennsaid to our Greek distributor which launched the product in this market in early 2007 with full formulary coverage. Canadian sales in the quarter were consistent with the prior year, but were a significant improvement versus the first and second quarters of 2007. Revenue for the nine-months ended September 30, 2007 increased to \$5.0 million compared to \$3.2 million for the nine-months ended September 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 lower sales in Canada 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 60ml bottles) versus a single 60ml bottle.

Total operating expenses for the three-month period ended September 30, 2007 increased by 10% to \$4.5 million from \$4.0 million for the three-month period ended September 30, 2006. The increase in the quarter is primarily due to higher research and development costs, offset partially by lower selling, general and administrative costs, stock-based compensation and interest income versus interest expense in the comparable period. For the nine-months ended September 30, 2007, operating costs were consistent at \$12.5 million as higher research and development and selling, general and administrative costs were offset by lower stock-based compensation and interest expense.

Included in operating expenses are research and development ("R&D") costs which were \$2.7 million for the three-month period ended September 30, 2007, compared with \$1.8 million for the three-months ended September 30, 2006. The significant increase in research and development costs in the quarter primarily relates to expenditures of \$1.8 million for specific studies to address the conditions arising from the FDA Approvable Letter. The overall increase was partially offset by lower spending on other projects versus a year ago.

During the first nine-months of the year the Company devoted significant resources to understanding, clarifying and addressing the conditions raised in the Approvable Letter of December 28, 2006. The Company has made substantial progress regarding studies to be provided to the FDA to address these conditions, with the exception of the longest study, a long-term dermal animal study, that the FDA has agreed may be completed post approval, provided no safety concerns have arisen from any of the studies prior to resubmitting the application for Pennsaid approval. The Company has not yet started this study as it is discussing the protocol with the FDA. The Company believes it will be in a position to file a complete resubmission of its Pennsaid application to the FDA in early 2009.

The increase in research and development spending for the nine-months ended September 30, 2007, is due expenses related to addressing the conditions in the Approvable Letter and continued activity at fqubed, although the strengthening Canadian dollar has muted this impact, as the Company continues to validate, broaden and extend its multiplexed molecular penetration enhancer (MMPE™) formulations platform technology and increases new product development activities. The MMPE™ technology, developed through internal high throughput experimentation (“HTE”) campaigns, uses special combinations of molecular penetration enhancer (MPE™) materials to permeabilize the skin for enhanced delivery of a given drug. In the comparable period ending September 30, 2006 the Company completed the analysis of the Pennsaid Phase III efficacy and safety trial (designated ‘Study 112’), the Pennsaid Phase III long-term open-label safety trial (designated ‘Study 112E’) which were a key part of the Company’s September 2006 FDA submission for Pennsaid and had commenced preparatory work for a Pennsaid Plus Phase III clinical trial.

The loss from operations declined by 10% to \$3.0 million for the three-months ended September 30, 2007 compared to \$3.4 million for the three-months ended September 30, 2006. The reduction in the loss was a result of the increased margin generated from higher product sales; offset partially by higher operating expenses. For the nine-months ended September 30, 2007, the loss from operations decreased by 12% to \$9.6 million from \$10.9 million for the nine-months ended September 30, 2006. The decrease in the year-to-date loss was a result of the increased margin on product sales and higher licensing fees as operating expenses were essentially unchanged.

Cash and cash equivalents increased to \$24.5 million at September 30, 2007, compared to \$11.2 million at December 31, 2006 as cash provided by financing activities of \$23.2 million more than offset the \$9.5 million used by operating activities.

Financing activities provided proceeds of \$18.4 million during the third quarter of 2007 and were generated by a bought deal equity financing that closed on July 13, 2007 for a total of 100 million units (“Units”) issued at a price of \$0.20 per Unit for gross proceeds of \$20 million (the “July 2007 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 were \$18.5 million, after deducting the underwriters’ fee of 6% and the 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 2007 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. The July 2007 Bought Deal provided \$18.5 million of net proceeds that were partially offset by \$0.1 million of scheduled debt repayments.

Net cash provided by financing activities for the nine-month period ended September 30, 2007 totaled \$23.2 million and consisted primarily of \$18.5 million in proceeds from the July 2007 Bought Deal discussed above and \$5.3 million in proceeds from the exercise of warrants offset by debt repayments. In the comparable nine-month period ended September 30, 2006 net cash provided by financing activities totaled \$16.8 million as the Company completed a bought deal financing consisting of 37.5 million units (“Units”) issued at a price of \$0.40 per Unit for gross proceeds of \$15.0 million. The Company also sold additional Pennsaid licensing rights in Canada for proceeds of \$3.75 million and generated \$2.0 million through the exercise of warrants, stock options and employee contributions to the Share Purchase Plan. These proceeds were somewhat offset by a \$1.6 million payment into escrow to discharge the mortgage on the Company’s former head office and \$1.1 million in scheduled debt repayments.

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 are more than 21 million Americans suffering from osteoarthritis, a very painful and debilitating condition, and the United States market for this condition is estimated at US\$4 billion annually. 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 September 30, 2007 Unaudited \$	As at December 31, 2006 Audited \$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	24,545	11,213
Accounts receivable	1,727	968
Other receivables	954	375
Inventories	1,025	1,051
Prepaid expenses and other	706	892
<b>TOTAL CURRENT ASSETS</b>	<b>28,957</b>	<b>14,499</b>
Property, plant and equipment	2,684	3,120
<b>TOTAL ASSETS</b>	<b>31,641</b>	<b>17,619</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	2,864	3,008
Short term loan	560	557
Deferred revenue	1,240	1,352
Current portion of long term debt and capital lease obligations	92	677
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,756</b>	<b>5,594</b>
Deferred revenue	5,669	6,552
Long term debt and capital lease obligations	226	337
Debentures	2,317	1,999
<b>TOTAL LIABILITIES</b>	<b>12,968</b>	<b>14,482</b>
<b>SHAREHOLDERS' EQUITY</b>		
Common shares	187,543	165,400
Warrants	11,243	9,402
Contributed surplus	5,481	4,885
Accumulated other comprehensive income	114	114
Deficit	(185,708)	(176,664)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>18,673</b>	<b>3,137</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>31,641</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>	September	<b>Nine-months ended</b>	September
	<b>September</b>	30, 2006	<b>September</b>	30, 2006
	<b>30, 2007</b>	30, 2006	<b>30, 2007</b>	30, 2006
	\$	\$	\$	\$
<b>REVENUE</b>				
Product and research contract revenue	<b>2,308</b>	1,000	<b>4,221</b>	2,705
Licensing fees	<b>250</b>	250	<b>750</b>	538
	<b>2,558</b>	1,250	<b>4,971</b>	3,243
<b>EXPENSES</b>				
Cost of goods sold	<b>1,122</b>	589	<b>2,070</b>	1,619
Research and development	<b>2,734</b>	1,768	<b>6,156</b>	5,408
Selling, general and administrative expenses	<b>1,481</b>	1,627	<b>5,029</b>	4,779
Stock-based compensation	<b>94</b>	207	<b>468</b>	914
Amortization of property, plant, and equipment	<b>230</b>	198	<b>656</b>	571
Foreign currency (gain) loss	<b>(39)</b>	21	<b>(120)</b>	(15)
Interest, net	<b>(33)</b>	225	<b>264</b>	832
	<b>5,589</b>	4,635	<b>14,523</b>	14,108
<b>LOSS FROM OPERATIONS</b>	<b>(3,031)</b>	(3,385)	<b>(9,552)</b>	(10,865)
Gain on sale of assets	<b>508</b>	-	<b>508</b>	947
Impairment charge	-	-	-	(135)
<b>LOSS FROM CONTINUING OPERATIONS</b>	<b>(2,523)</b>	(3,385)	<b>(9,044)</b>	(10,053)
<b>NET INCOME FROM DISCONTINUED OPERATIONS</b>	-	-	-	50
<b>NET LOSS FOR THE PERIOD AND TOTAL COMPREHENSIVE LOSS</b>	<b>(2,523)</b>	(3,385)	<b>(9,044)</b>	(10,003)
Deficit, beginning of period	<b>(183,185)</b>	(170,267)	<b>(176,664)</b>	(163,649)
<b>DEFICIT, END OF PERIOD</b>	<b>(185,708)</b>	(173,652)	<b>(185,708)</b>	(173,652)
<b>Net loss per common share – basic and diluted</b>	<b>(0.01)</b>	(0.02)	<b>(0.04)</b>	(0.07)

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

Unaudited (thousands of Canadian dollars)	Three-months ended September 30, 2007 \$	September 30, 2006 \$	Nine-months ended September 30, 2007 \$	September 30, 2006 \$
<b>OPERATING ACTIVITIES – continuing operations</b>				
Net loss from continuing operations	(2,523)	(3,385)	(9,044)	(10,053)
Items not involving current cash flows:				
Amortization	230	198	656	571
Deferred revenue recognized	(448)	(250)	(1,031)	(774)
Stock-based compensation and payments	94	207	600	914
Impairment charge	-	-	-	135
Accretion of interest on debentures	173	151	476	420
Gain on sale of assets	(508)	-	(508)	(947)
Other	-	-	(69)	-
Net change in non-cash working capital balances	(71)	(911)	(598)	(781)
<b>CASH USED IN OPERATING ACTIVITIES – continuing operations</b>	<b>(3,053)</b>	<b>(3,990)</b>	<b>(9,518)</b>	<b>(10,515)</b>
<b>INVESTING ACTIVITIES – continuing operations</b>				
Acquisition of property, plant and equipment	(31)	(152)	(220)	(535)
Proceeds from sale of assets	-	-	-	2,744
<b>CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES - continuing operations</b>	<b>(31)</b>	<b>(152)</b>	<b>(220)</b>	<b>2,209</b>
<b>FINANCING ACTIVITIES – continuing operations</b>				
Issuance of common shares, net of related costs	18,493	(3)	23,823	15,687
Issue of debenture	-	-	-	500
Proceeds from license and supply agreements and advances on research contracts	40	-	40	3,250
Repayment of short term loan	-	-	-	(1,598)
Repayments of long term debt and capital lease obligations	(113)	(329)	(668)	(1,075)
<b>CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES – continuing operations</b>	<b>18,420</b>	<b>(332)</b>	<b>23,195</b>	<b>16,764</b>
Effect of exchange rate changes on cash and cash equivalents	(49)	(2)	(125)	(4)
Net increase (decrease) in cash and cash equivalents from continuing operations	15,287	(4,476)	13,332	8,454
Cash flow from discontinued operations	-	50	-	50
Net increase (decrease) in cash and cash equivalents during the period	15,287	(4,426)	13,332	8,504
Cash and cash equivalents, beginning of period	9,258	15,646	11,213	2,716
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>24,545</b>	<b>11,220</b>	<b>24,545</b>	<b>11,220</b>
<i>Interest paid</i>	<i>24</i>	<i>59</i>	<i>188</i>	<i>261</i>