



NUVO ANNOUNCES SECOND QUARTER 2008 FINANCIAL RESULTS

Mississauga, Ontario, Canada – July 31, 2008 - Nuvo Research Inc. (TSX: NRI), a Canadian drug development company focused on the research and development of drug products that are delivered to and through the skin using its topical and transdermal drug delivery technologies, today announced its financial and operational results for the three and six months ended June 30, 2008.

Key Corporate Developments:

- The Company remains on track to resubmit its Pennsaid application to the U.S. FDA in early 2009 and to be eligible to receive final U.S. marketing approval six months later. It has completed the majority of the non-clinical studies that it is conducting to respond to conditions raised in the FDA's Approvable Letter. No major issues have been identified in the completed studies. The remaining studies are ongoing;
- Revenue for the three-months ended June 30, 2008 increased 45% to \$2.1 million compared with \$1.4 million for the three-months ended June 30, 2007. The significant increase is due primarily to a \$0.6 million increase in Pennsaid product sales to the Company's Greek distributor;
- The Company in-licensed from Paladin Labs Inc. (TSX: PLB) ("Paladin") the exclusive rights to develop and commercialize a novel topical pain formulation with the potential to treat inflammatory and neuropathic pain conditions. As part of the transaction, Paladin invested \$1.0 million in Nuvo by way of a private placement for common shares and warrants; and,
- Subsequent to the end of the fiscal quarter, the Company further strengthened its cash position by restructuring its Canadian distribution agreement with Squire Pharmaceuticals Inc. ("Squire"), a subsidiary of Paladin. The Company received a \$2.5 million payment in lieu of future payments related to Canadian Pennsaid sales and an additional \$2.0 million through the issuance of a convertible debenture. These transactions extend the Company's cash financial runway beyond mid 2009 when it expects to receive U.S. FDA approval of Pennsaid, a topical non-steroidal anti-inflammatory drug (NSAID) used to treat the pain and stiffness associated with knee osteoarthritis.

"Quarter by quarter, we are steadily moving closer to our goal of achieving Pennsaid's approval in the U.S., while ensuring we have suitable cash resources beyond this milestone," said Henrich Guntermann, President and Chief Executive Officer, "At the same time, we are excited about our expanding pipeline, which we strengthened in the second quarter through internal research and development activities and by our agreement to in-license the exclusive rights to develop and commercialize a novel, early stage topical pain formulation."

Financial Results

(thousands of Canadian dollars)	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Revenue	\$ 2,085	\$ 1,435	\$ 4,321	\$ 2,413
Net loss	\$ (2,864)	\$ (3,034)	\$ (5,135)	\$ (6,521)

Revenue for the three-months ended June 30, 2008 increased 45% to \$2.1 million compared with \$1.4 million for the three-months ended June 30, 2007. The significant increase is due primarily to a \$0.6 million increase in Pennsaid product sales to the Company's Greek distributor and an increase in sales of WF10 based products. Revenue for the six-months ended June 30, 2008 increased 79% to \$4.3 million compared with \$2.4 million for the six-months ended June 30, 2007. The increase is primarily due to significantly higher sales of Pennsaid to our Greek distributor which launched Pennsaid in the first half of 2007 and higher sales to our Canadian distributor.

As a result of the increased sales volumes, gross margin on product sales improved significantly to \$0.8 million and \$1.7 million for the three and six-months ended June 30, 2008 compared to \$0.1 million in both the three and six-month periods ended June 30, 2007.

Total operating expenses, excluding foreign currency gains and losses, for three and six-months ended June 30, 2008 were \$3.9 million and \$7.6 million, an increase from \$3.6 million and \$7.3 million for three and six-months ended June 30, 2007. The increase in the three and six-month periods is due to higher spending on research and development activities. This highlights the impact of the Company's efforts during the third and fourth quarters of 2007 to focus its resources on research activities rather than administrative costs. For the six-month period, research and development expenditures represented 56% of operating expenses (before currency gains and losses) versus 47% in the comparative six-month period of 2007.

Research and development expenses were \$2.1 million and \$4.2 million for the three and six-months ended June 30, 2008 an increase of 24% and 22% compared with \$1.7 million and \$3.5 million for the three and six-months ended June 30, 2007. The majority of spending for the current three and six-month periods is related to the on-going studies to address the conditions raised by the FDA in the Pennsaid Approvable Letter. During the first two quarters, the Company made excellent progress towards the completion of several of the Short and Long Term Studies required for the Complete Response.

SG&A expenses decreased to \$1.2 million and \$2.3 million for the three and six-months ended June 30, 2008, compared to \$1.3 million and \$2.8 million for the three and six-months ended June 30, 2007. The decrease is primarily attributable to activities undertaken during the third and fourth quarters of 2007 including the closure of the Company's international marketing office in Barbados and staff reductions at the corporate head office.

For the three-months ended June 30, 2008 the net loss declined slightly to \$2.9 million from \$3.0 million for the three-months ended June 30, 2007. The Company was able to reduce the net loss as higher research and development expenditures and foreign exchange losses were more than offset by the increased gross margin generated from higher product sales and a reduction in SG&A costs. For the six-months ended June 30, 2008 the net loss declined by 21% to \$5.1 million from \$6.5 million for the six-months ended June 30, 2007.

Cash used in operations was \$2.6 million for the three-months ended June 30, 2008 compared to \$2.8 million for the three-months ended June 30, 2007. The decrease of 9% was primarily

the result of the reduced net loss during the quarter. Overall, cash used in operating activities decreased to \$2.3 million for the three-months ended June 30, 2008 versus \$3.5 million for the three-months ended June 30, 2007 as the Company's investment in non-cash working capital improved significantly. For the six-month period ended June 30, 2008 funds used in operating activities decreased to \$5.2 million from \$6.5 million for the six-month period ended June 30, 2007 primarily due to the smaller loss in the period.

Net cash used in investing activities totaled \$57,000 and \$56,000 for the three and six-months ended June 30, 2008 compared with \$189,000 for both the three and six-months ended June 30, 2007. The investment in the quarter relates to the acquisition of a new data management and biostatistics computer system. The Company also invested \$191,000 in new laboratory equipment during the quarter at its San Diego research facility that was financed through the use of capital leases and acquired a sublicense to a patent related to its topical and transdermal drug delivery pipeline in exchange for 961,538 common shares of the Company having a value of \$125,000.

Net cash provided by financing activities totaled \$0.9 million for the three-months ended June 30, 2008, compared to net cash used in financing activities of \$0.2 million for the three-months ended June 30, 2007. During the quarter, the Company closed a private placement equity financing. At closing, a total of 7.7 million shares and 769,230 common share purchase warrants of the Company, each whole warrant entitling the holder thereof to acquire one common share at a price of \$0.169 per share until May 29, 2010 were issued for gross proceeds of \$1 million. Once expenses associated with the financing were deducted, net cash proceeds were \$947,000. These proceeds were partially offset by scheduled long term debt and capital lease payments. In the comparable period last year, net cash used in financing activities related to scheduled debt repayments.

Net cash provided by financing activities totaled \$0.9 million for the six-months ended June 30, 2008, compared to \$4.8 million for the six-months ended June 30, 2007. For the current period, the net cash provided by financing activities relates to the financing discussed above and scheduled debt repayments. In the comparable period last year, net cash provided by financing activities totaled \$5.0 million and consisted of \$5.3 million in proceeds from the exercise of warrants offset by \$328,000 in debt repayments.

Subsequent Events

On July 7, 2008 Paladin demanded repayment of the December 2006 Convertible debenture in the amount of \$500,000 as per its rights under the terms of the debenture and the Company paid the amount in full. In addition, the Company repaid the \$250,000 upfront payment for Pennsaid Plus received from Paladin as per the terms of the Pennsaid Plus License Agreement as it did not reach a required milestone by May 21, 2008.

Additionally, the Company and its Canadian distributor, Paladin, reached an agreement to amend the Pennsaid and Pennsaid Plus licensing arrangements. Under the terms of the new arrangements Paladin's wholly owned subsidiary, Squire, agreed to make payments totaling \$2.5 million to the Company in lieu of future payments relating to Canadian sales of Pennsaid prior to January 1, 2011 and to repay certain receivables. Subsequent to January 1, 2011, Squire will pay the Company a royalty on all Canadian sales of Pennsaid. Squire also invested \$2.0 million in the Company by way of a two-year convertible debenture. This debenture bears interest at 8% per annum and is convertible into Nuvo common shares at a price of \$0.138.

On July 29, 2008, Paladin informed the Company that it had received notices of reassessment from the Canada Revenue Agency related to Squire (formerly Dimethaid Health Care Ltd. ("DHCL")) for the 2005 and 2006 tax years (the "Tax Years"). These reassessments contained

adjustments relating to transactions occurring in 2005. Under the terms of the August 2005 agreement (the "Sale Agreement") whereby the Company sold DHCL to Paladin, the Company provided certain indemnities (the "Indemnities") related to DHCL's tax assets. The Company disagrees with the position taken by the CRA, believes it is without merit and intends to contest the reassessment. The Company estimates its obligations under the Indemnities to be in the range of \$3.5 million to \$4.5 million, plus interest and penalties of approximately \$1.7 million related to the Tax Years. In addition, the Company expects the obligation under the Indemnities to increase once interest and penalties are assessed on Squire's 2007 tax filings. The CRA may take action to immediately collect 50% of the reassessed amount from Squire for the Tax Years as it is permitted to do. As a result, Squire may make a claim of approximately \$1.5 million under the Indemnities.

Detailed financial statements and the MD&A are available at www.nuvoresearch.com or 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 a Canadian drug development company primarily focused on the research and development of drug products that are delivered to and through the skin. Nuvo is also involved in research and development activities involving WF10, a chlorite-based, immunomodulating drug through its 60% interest in Dimethaid AG.

Nuvo believes it is uniquely positioned to research and develop new drug product candidates for delivery to and through the skin using its multiplexed molecular penetration enhancers ("MMPE™s"), that interact with the skin and enhance its permeability thereby allowing certain drug molecules to pass into and through the skin to proximate tissues and its high throughput experimentation systems that allow its scientists to rapidly screen combinations of existing molecular penetration enhancers ("MPE™s") with large numbers of potential drug formulations to measure their ability to permeabilize and permeate the skin. Nuvo's lead product Pennsaid®, a topical non-steroidal anti-inflammatory drug (NSAID) utilizes the Company's technology to treat the symptoms of osteoarthritis of the knee locally. Nuvo intends to leverage its technologies to create a portfolio of topical and transdermal products targeting a variety of indications. Nuvo Research Inc. is a publicly traded 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:

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Summary financial statements attached:

**NUVO RESEARCH INC.
CONSOLIDATED BALANCE SHEETS**

	As at June 30, 2008 Unaudited \$	As at December 31, 2007 Audited \$
(thousands of Canadian dollars)		
ASSETS		
CURRENT		
Cash and cash equivalents	17,348	21,791
Accounts receivable	1,375	1,802
Other receivable	579	579
Inventories	1,523	1,042
Prepaid expenses and other	663	789
TOTAL CURRENT ASSETS	21,488	26,003
Restricted cash	88	79
Property, plant and equipment	2,317	2,475
Intangible assets	208	90
TOTAL ASSETS	24,101	28,647
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT		
Accounts payable and accrued liabilities	1,972	2,994
Short term loan	662	587
Deferred revenue	1,000	1,211
Current portion of long term debt and capital lease obligations	159	94
Current portion of debentures	500	500
TOTAL CURRENT LIABILITIES	4,293	5,386
Deferred revenue	4,669	5,169
Long term debt and capital lease obligations	320	222
Debentures	2,440	2,006
TOTAL LIABILITIES	11,722	12,783
SHAREHOLDERS' EQUITY		
Common shares	189,147	187,877
Warrants	10,847	11,243
Contributed surplus	6,446	5,670
Accumulated other comprehensive income	114	114
Deficit	(194,175)	(189,040)
TOTAL SHAREHOLDERS' EQUITY	12,347	15,864
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	24,101	28,647

NUVO RESEARCH INC.
CONSOLIDATED STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT

Unaudited (thousands of Canadian dollars except per share amounts)	Three-months ended		Six-months ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
	\$	\$	\$	\$
REVENUE				
Product sales	1,795	1,067	3,770	1,769
Cost of goods sold	1,001	921	2,085	1,676
Gross margin on product sales	794	146	1,685	93
Other revenue				
Licensing fees	250	250	500	500
Research and other contract revenue	40	118	51	144
	1,084	514	2,236	737
EXPENSES				
Research and development	2,133	1,716	4,237	3,462
Selling, general and administrative expenses	1,162	1,333	2,286	2,780
Stock-based compensation	216	211	366	374
Amortization of property, plant, and equipment and intangibles	207	215	412	426
Foreign currency (gain) loss	36	(91)	(243)	(81)
Interest expense	325	273	628	539
Interest income	(131)	(109)	(315)	(242)
	3,948	3,548	7,371	7,258
NET LOSS FOR THE PERIOD AND TOTAL COMPREHENSIVE LOSS	(2,864)	(3,034)	(5,135)	(6,521)
Deficit, beginning of period	(191,311)	(180,151)	(189,040)	(176,664)
DEFICIT, END OF PERIOD	(194,175)	(183,185)	(194,175)	(183,185)
Average number of basic and diluted common shares outstanding for the period (millions)	303.1	197.1	301.3	194.9
Net loss per common share – basic and diluted	(0.01)	(0.01)	(0.02)	(0.03)

NUVO RESEARCH INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited (thousands of Canadian dollars)	Three-months ended		Six-months ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net loss	(2,864)	(3,034)	(5,135)	(6,521)
Items not involving current cash flows:				
Amortization	207	215	412	426
Deferred revenue recognized	(450)	(309)	(711)	(585)
Stock-based compensation and payments	216	211	366	506
Accretion of interest on debentures	227	158	434	303
Other	91	(57)	(261)	(69)
Net change in non-cash working capital balances	284	(685)	(342)	(525)
CASH USED IN OPERATING ACTIVITIES	(2,289)	(3,501)	(5,237)	(6,465)
INVESTING ACTIVITIES				
Acquisition of property, plant and equipment	(57)	(189)	(84)	(189)
Proceeds from sale of assets	-	-	28	-
CASH USED IN INVESTING ACTIVITIES	(57)	(189)	(56)	(189)
FINANCING ACTIVITIES				
Issuance of common shares and warrants, net of related costs	947	-	947	5,330
Repayments of long term debt and capital lease obligations	(16)	(227)	(60)	(555)
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	931	(227)	887	4,775
Effect of exchange rate changes on cash and cash equivalents	(298)	(71)	(37)	(76)
Net decrease in cash and cash equivalents during the period	(1,713)	(3,988)	(4,443)	(1,955)
Cash and cash equivalents, beginning of period	19,061	13,246	21,791	11,213
CASH AND CASH EQUIVALENTS, END OF PERIOD	17,348	9,258	17,348	9,258
<i>Interest paid</i>	<i>128</i>	<i>121</i>	<i>154</i>	<i>164</i>