



NUVO ANNOUNCES THIRD QUARTER 2008 FINANCIAL RESULTS

Mississauga, Ontario, Canada – October 30, 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 nine months ended September 30, 2008.

Key Corporate Developments:

- The Company remains on target 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. Nuvo 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 and it is anticipated they will be completed by the end of 2008.
- Revenue for the three months ended September 30, 2008 increased 29% to \$3.3 million compared with \$2.6 million for the three months ended September 30, 2007 primarily due to a \$1.2 million increase in licensing fee revenue. Revenue for the nine months ended September 30, 2008 increased 53% to \$7.6 million compared with \$5.0 million for the nine months ended September 30, 2007.
- The Company further strengthened its financial position by restructuring its Canadian licensing agreement with Squire Pharmaceuticals Inc. ("Squire"), a subsidiary of Paladin. On closing, Nuvo received a \$2.5 million payment related to Pennsaid and an additional \$2 million through the issuance of a convertible debenture.
- Nuvo executed an agreement with convertible debenture holders to extend the maturity date of certain debentures by one year from November 16, 2009 to November 16, 2010. The debentures have a total principal amount outstanding of \$4.136 million. The resolution supports the Company's efforts to conserve its cash resources as it moves toward Pennsaid's anticipated approval by the FDA, the consummation of a U.S. licensing agreement and the commercialization of Pennsaid in the U.S.
- Subsequent to quarter end, Nuvo presented Phase 3 Pennsaid data at the 2008 American College of Rheumatology Annual Scientific Meeting in San Francisco showing that Pennsaid is an effective treatment option for the symptoms of osteoarthritis of the knee, with an improved safety profile compared to oral diclofenac while providing a similar degree of symptom relief.

"The third quarter was productive for Nuvo Research in terms of the Company's product development and financial management," said Henrich Guntermann, President and Chief Executive Officer. "We moved closer to the resubmission of Pennsaid's application to the FDA, partnering discussions moved forward, and we made significant strides towards solidifying our financial position, which will help us execute on our milestones in the coming quarters."

Financial Results

(thousands of Canadian dollars)	Three months ended September 30, 2008	Three months ended September 30, 2007	Nine months ended September 30, 2008	Nine months ended September 30, 2007
Revenue	\$ 3,289	\$ 2,558	\$ 7,610	\$4,971
Net loss	\$ (3,004)	\$ (2,523)	\$ (8,139)	\$ (9,044)

Revenue for the three months ended September 30, 2008 increased 29% to \$3.3 million compared with \$2.6 million for the three months ended September 30, 2007 primarily as a result of a \$1.2 million increase in licensing fee revenue. This increase was due to the recognition of additional licensing fee revenue as a result of the agreement reached with Squire to amend and restate the Pennsaid licensing arrangements in Canada. Under the terms of the deal that closed on July 7, 2008, Squire paid Nuvo \$2.5 million on account of past obligations and future Canadian sales of Pennsaid a portion of which were recognized during the third quarter. Partially offsetting this increase was a \$0.4 million decrease in product sales for the three months ended September 30, 2008 to \$1.8 million versus \$2.2 million for the three months ended September 30, 2007. This decrease is primarily attributable to lower sales to the Company's Greek distributor, Vianex during the traditionally slower summer months and our agreement to provide a one-time discount of approximately \$0.1 million. Revenue for the nine months ended September 30, 2008 increased 53% to \$7.6 million compared with \$5.0 million for the nine months ended September 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 the increase in licensing fee revenue related to the Squire Deal.

As a result of the decreased product sales and the one-time discount that was given to Vianex, gross margin on product sales declined to \$0.5 million for the three months ended September 30, 2008 compared to \$0.9 million for the three months ended September 30, 2007. For the nine months ended September 30, 2008, gross margin increased to \$2.2 million compared to \$1.0 million for the nine months ended September 30, 2007. This increase is primarily due to higher product sales to Vianex.

Total operating expenses, excluding foreign currency gains and losses, for three and nine months ended September 30, 2008 were \$4.5 million and \$12.1 million, an increase from \$4.3 million and \$11.5 million for three and nine months ended September 30, 2007. The increase in the three-month period is due to higher net interest expense, relating to higher debenture accretion charges and lower levels of interest income. The increase in the nine-month period is due to an increase in net interest expense and higher spending on research and development activities, offset partially by lower selling, general and administrative expenses. 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.

Research and development expenses decreased by 7% to \$2.6 million for the three months ended September 30, 2008 compared to \$2.7 million for the three months ended September 30, 2007. For the nine months ended September 30, 2008, research and development costs increased 9% to \$6.8 million compared to \$6.2 million for the nine months ended September 30, 2007. The majority of spending for the current three and nine month periods related to the ongoing studies to address the conditions raised by the FDA in the Pennsaid Approvable Letter. During the first three 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 increased by 5% to \$1.3 million for the three months ended September 30, 2008 compared to \$1.2 million for the three months ended September 30, 2007. During the

quarter, the impact of lower ongoing personnel costs and the savings associated with closing the Company's international marketing office in Barbados were more than offset by severance costs incurred at the corporate office and increased spending on professional and consulting fees related to the Squire tax reassessment and other matters. For the nine-month period ended September 30, 2008, SG&A costs decreased 11% to \$3.6 million compared to \$4.0 million for the nine-month period ended September 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 September 30, 2008, the net loss increased to \$3.0 million from \$2.5 million for the three months ended September 30, 2007. Included in the net loss for the third quarter is a non-cash extinguishment loss of \$0.3 million related to the accounting treatment of the amendments to the November 2004 debentures which extended their maturity by one year. Included in the net loss for the comparative period is a \$0.5 million gain relating to the sale of assets. Excluding the impact of these items, the net loss would have declined to \$2.7 million in the current quarter compared to \$3.0 million a year ago. For the nine months ended September 30, 2008, the net loss declined by 10% to \$8.1 million from \$9.0 million for the nine months ended September 30, 2007.

Cash used in operations was \$2.2 million for the three months ended September 30, 2008 compared to \$3.0 million for the three months ended September 30, 2007. Although the net loss for the quarter ended September 30, 2008 was \$0.5 million higher than the comparable period it included several non-cash items including the \$0.3 million extinguishment loss on the convertible debentures, higher accretion charges and a \$0.3 million foreign exchange loss. In addition, the comparable quarter included a non-cash gain of \$0.5 million on the sale of assets and a foreign exchange gain. Overall, cash provided by operating activities was \$0.3 million in the quarter versus cash used in operating activities of \$3.0 million in the third quarter of 2007. The improvement is due to the \$1.4 million recovery of non-cash working capital and the prepayment of future royalties under the new licensing arrangements with Squire. For the nine months ended September 30, 2008 funds used in operating activities decreased to \$5.0 million from \$9.5 million.

Net cash used in investing activities totaled \$36,000 and \$92,000 for the three and nine months ended September 30, 2008 compared with \$31,000 and \$220,000 for the three and nine months ended September 30, 2007. Net cash provided by financing activities totaled \$1.4 million for the three months ended September 30, 2008, compared to \$18.4 million for the three months ended September 30, 2007. During the quarter, the Company issued a \$2 million debenture to Squire and repaid \$0.5 million of long-term debt and debentures. In the comparable period last year, net cash used in financing activities related to scheduled debt repayments. Net cash provided by financing activities totaled \$2.3 million for the nine months ended September 30, 2008, compared to \$23.2 million for the nine months ended September 30, 2007.

Squire Tax Reassessment

On August 16, 2005, the Company sold 100% of the common shares of its subsidiary DHCL (renamed Squire) to Paladin. Under the terms of the share purchase agreement ("SPA") with Paladin, the Company provided representations and warranties with respect to the status of the Company's tax accounts and its tax assets, which consisted of non-capital losses, investment tax credits and undeducted scientific research and experimental development expenditures. If the amounts represented are incorrect then the Company is required to indemnify Paladin for a portion of its losses.

In July and August 2008, Squire received notices of reassessment relating to its taxation years ending August 16, 2005 and July 31, 2006 and 2007 ("the Tax Years") from the Canada

Revenue Agency ("CRA") containing adjustments related to certain transactions occurring in the tax year ended August 16, 2005 that impact all of the Tax Years. It is possible that the provincial tax authorities will propose similar adjustments as a result of the CRA reassessments. The notices of reassessment, if they stand, could cause the Company to breach certain representations and warranties in the SPA.

The Company estimates its potential obligation under the indemnification provisions of the SPA as a result of the reassessments is in the range of \$6.5 million to \$7.5 million, including interest and penalties. In addition, the Company expects the potential obligation under the indemnity to increase as additional interest accrues and penalties are assessed on the reassessed amounts. The SPA also requires the Company to indemnify Paladin for out-of-pocket costs (including attorneys' and experts' fees) incurred by Paladin that are caused by the Company's breach of its representations and warranties contained in the SPA.

The Company disagrees with the position taken by the CRA and believes it is without merit. Squire is contesting the reassessments through the CRA appeals process and has filed a Notice of Objection with the CRA. The Company is participating in this process. An unfavorable resolution could have a material adverse impact on the Company's cash flows.

Squire is a "Large Corporation" under subsection 225.1(8) of the Income Tax Act and as a result the CRA took action to collect 50% of the reassessed amount, \$3.7 million, in September 2008. Squire may make a claim against the Company for a portion of the \$3.7 million; however, the Company believes that pursuant to the indemnification provisions of the SPA, the Company is not obliged to make any such payment to Squire unless and until there is a final determination after exhausting all avenues of appeal available through the CRA Appeals process and the courts or by agreement between the parties that the Company is in breach of a representation and warranty in the SPA related to its tax accounts or tax assets.

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**

(thousands of Canadian dollars)	As at September 30, 2008 Unaudited \$	As at December 31, 2007 Audited \$
ASSETS		
CURRENT		
Cash and cash equivalents	18,902	21,791
Accounts receivable	868	1,802
Other receivable	-	579
Inventories	1,514	1,042
Prepaid expenses and other	487	789
TOTAL CURRENT ASSETS	21,771	26,003
Restricted cash	82	79
Property, plant and equipment	2,137	2,475
Intangible assets	203	90
TOTAL ASSETS	24,193	28,647
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT		
Accounts payable and accrued liabilities	2,383	2,994
Short-term loan	721	587
Deferred revenue	2,320	1,211
Current portion of long-term debt and capital lease obligations	156	94
Current portion of debentures	-	500
TOTAL CURRENT LIABILITIES	5,580	5,386
Deferred revenue	3,882	5,169
Long-term debt and capital lease obligations	260	222
Debentures	4,789	2,006
TOTAL LIABILITIES	14,511	12,783
SHAREHOLDERS' EQUITY		
Common shares	189,146	187,877
Warrants	10,847	11,243
Contributed surplus	6,754	5,670
Accumulated other comprehensive income	114	114
Deficit	(197,179)	(189,040)
TOTAL SHAREHOLDERS' EQUITY	9,682	15,864
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	24,193	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		Nine months ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
	\$	\$	\$	\$
REVENUE				
Product sales	1,808	2,233	5,578	4,002
Cost of goods sold	1,281	1,374	3,366	3,050
Gross margin on product sales	527	859	2,212	952
Other revenue				
Licensing fees	1,453	250	1,953	750
Research and other contract revenue	28	75	79	219
	2,008	1,184	4,244	1,921
EXPENSES				
Research and development	2,556	2,743	6,793	6,205
Selling, general and administrative expenses	1,278	1,220	3,564	4,000
Stock-based compensation	131	94	497	468
Amortization of property, plant, and equipment and intangibles	221	230	633	656
Foreign currency (gain) loss	255	(39)	12	(120)
Interest expense	418	273	1,046	812
Interest income	(146)	(306)	(461)	(548)
	4,713	4,215	12,084	11,473
Loss from operations	(2,705)	(3,031)	(7,840)	(9,552)
Loss on extinguishment of convertible debenture	(299)	-	(299)	-
Gain on sale of assets	-	508	-	508
NET LOSS AND TOTAL COMPREHENSIVE LOSS	(3,004)	(2,523)	(8,139)	(9,044)
Deficit, beginning of period	(194,175)	(183,185)	(189,040)	(176,664)
DEFICIT, END OF PERIOD	(197,179)	(185,708)	(197,179)	(185,708)
Average number of basic and diluted common shares outstanding for the period (millions)	310.1	283.1	304.2	224.6
Net loss per common share – basic and diluted	(0.01)	(0.01)	(0.03)	(0.04)

NUVO RESEARCH INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited (thousands of Canadian dollars)	Three months ended		Nine months ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net loss	(3,004)	(2,523)	(8,139)	(9,044)
Items not involving current cash flows:				
Amortization	221	230	633	656
Deferred revenue recognized	(560)	(448)	(1,271)	(1,031)
Stock-based compensation and payments	131	94	497	600
Accretion of interest on debentures	295	173	729	476
Loss on extinguishment of convertible debenture	299	-	299	-
Gain on sale of assets	-	(508)	-	(508)
Other	408	-	147	(69)
Net change in non-cash working capital balances	1,400	(71)	1,058	(598)
Proceeds from licensing arrangements and advances on research contracts	1,093	40	1,093	40
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	283	(3,013)	(4,954)	(9,478)
INVESTING ACTIVITIES				
Acquisition of property, plant and equipment	(36)	(31)	(120)	(220)
Proceeds from sale of assets	-	-	28	-
CASH USED IN INVESTING ACTIVITIES	(36)	(31)	(92)	(220)
FINANCING ACTIVITIES				
Issuance of common shares and warrants, net of related costs	(1)	18,493	946	23,823
Issuance of debentures, net of related costs	1,932	-	1,932	-
Repayments of debentures, long-term debt and capital lease obligations	(548)	(113)	(608)	(668)
CASH PROVIDED BY FINANCING ACTIVITIES	1,383	18,380	2,270	23,155
Effect of exchange rate changes on cash and cash equivalents	(76)	(49)	(113)	(125)
Net change in cash and cash equivalents during the period	1,554	15,287	(2,889)	13,332
Cash and cash equivalents, beginning of period	17,348	9,258	21,791	11,213
CASH AND CASH EQUIVALENTS, END OF PERIOD	18,902	24,545	18,902	24,545
<i>Interest paid</i>	<i>6</i>	<i>24</i>	<i>160</i>	<i>188</i>