



NUVO ANNOUNCES 2009 SECOND QUARTER FINANCIAL RESULTS

Mississauga, Ontario, Canada – August 7, 2009 - 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 quarter ended June 30, 2009.

Recent Corporate Developments:

- Received correspondence from U.S. Food and Drug Administration (“FDA”) on August 4, 2009 advising that it was extending the Prescription Drug User Fee Act date (“PDUFA date”) for Pennsaid approval to November 4, 2009;
- Entered into a license and development agreement with Mallinckrodt Inc., a subsidiary of Covidien (NYSE:COV), a leading global provider of healthcare products, granting it exclusive rights to market and sell Pennsaid®, and its follow-on product, Pennsaid Plus®, in the United States;
- Pennsaid Phase 3 study results were published in June 2009 edition of PAIN, the world’s leading publication on pain research and treatments, and the official journal of the International Association for the Study of Pain; and,
- Nuvo had \$26.3 million in cash and cash equivalents at June 30, 2009 following receipt of the US\$10 million upfront payment received from Covidien respecting its U.S. license of Pennsaid and Pennsaid Plus. Subsequent to the quarter end, Nuvo received additional proceeds of \$5.7 million from the exercise of warrants that otherwise would have expired on July 13, 2009.

“While a decision from the FDA on our submission for Pennsaid has been delayed, we remain optimistic that Pennsaid will ultimately be approved for marketing in the United States,” said Henrich Guntermann, President and Chief Executive Officer of Nuvo Research. “We believe that once Pennsaid is approved by the FDA, our marketing partner Covidien will help Pennsaid become a best-in-class treatment for knee osteoarthritis in a rapidly expanding U.S. market.”

Financial Results:

(thousands of Canadian dollars)

	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Revenue	\$ 2,706	\$ 2,085	\$ 5,753	\$ 4,321
Net loss	\$ (1,664)	\$ (2,864)	\$ (4,532)	\$ (5,135)

Revenue, consisting of product sales, license fee revenue, and research and other contract revenue, for the three months ended June 30, 2009 increased 30% to \$2.7 million compared with \$2.1 million for the three months ended June 30, 2008. The increase was attributable to a

\$0.4 million increase in Pennsaid product sales, the recognition of additional licensing fee revenue and research revenue earned on a collaboration agreement with a Fortune Global 500 company that develops and markets skin care products. Revenue for the six months ended June 30, 2009 increased 33% to \$5.8 million compared to \$4.3 million for the six months ended June 30, 2008. This increase is attributable to a \$0.7 million increase in Pennsaid sales to our Canadian licensee and Greek distributor, the recognition of additional licensing fee revenue and higher research revenue.

Gross margin on product sales declined slightly to \$0.6 million for the three months ended June 30, 2009 compared to \$0.8 million for the comparable quarter in 2008. The decrease in gross margin is primarily attributable to the planned 8 week shutdown of the Pennsaid manufacturing facility to prepare for the U.S. launch of Pennsaid. For the six months ended June 30, 2009, gross margin on product sales grew to \$1.9 million from \$1.7 million in the six month ended June 30, 2008. The increase is due to higher Pennsaid sales, offset partially by higher material costs and incremental costs related to the planned shutdown.

Total operating expenses, excluding foreign currency gains and losses, for the three-month period ended June 30, 2009 decreased to \$3.1 million compared to \$3.9 million for the three months ended June 30, 2008. The decrease relates primarily to lower research and development expenses as Covidien reimbursed the Company \$0.9 million for Pennsaid and Pennsaid Plus development costs incurred prior to signing the license agreement as per its terms. Offsetting these savings were higher SG&A costs related to the US partnering activities that culminated in the signing of the licensing agreement with Covidien. For the six months ended June 30, 2009 total operating expenses, excluding foreign currency gains increased to \$7.9 million compared to \$7.6 million. The increase from 2008 relates to higher SG&A costs and net interest expense, offset partially by lower research and development costs.

Research and development expenses were \$0.8 million and \$3.8 for the three and six months ended June 30, 2009, decreases of 61% and 11% compared with \$2.1 million and \$4.2 million for the three and six months ended June 30, 2008. The majority of the significant decrease in the quarter was due to a \$0.9 million reimbursement received from Covidien for specific research and development costs incurred by Nuvo prior to signing the licensing agreement. In addition, under the terms of the licensing agreement, Covidien assumed responsibility for all Pennsaid and Pennsaid Plus development activities and costs subsequent to June 15, 2009. The Company also incurred expenditures for preclinical development of the Company's early stage pipeline candidates and costs relating to the expanded research and formulation development activities in San Diego.

SG&A expenses increased to \$1.8 million and \$3.2 million for the three and six months ended June 30, 2009, compared to \$1.2 million and \$2.3 million for the three and six months ended June 30, 2008. The increase in both periods is primarily attributable to costs relating to US partnering activities that culminated in the signing of the licensing agreement with Covidien and the issuance and revaluation of units in the Company's Deferred Share Unit Plan ("DSU Plan") to their market value.

For the three months ended June 30, 2009, the Company's net loss declined significantly to \$1.7 million compared to \$2.9 million for the three months ended June 30, 2008. The Company was able to reduce its net loss as lower research and development costs, an increase in licensing fee revenue and a foreign exchange gain more than exceeded increases in SG&A costs, higher net interest expense and the lower gross margin on product sales. For the six months ended June 30, 2009, net loss declined by 12% to \$4.5 million from \$5.1 million.

Cash and cash equivalents increased substantially to \$26.3 million as at June 30, 2009 compared to \$15.2 million as at December 31, 2008 and \$14.2 million at March 31, 2009

primarily as a result of the \$US10 million Upfront Payment received from Covidien and proceeds from the exercise of warrants.

Cash used in operations improved to \$1.9 million for the quarter ended June 30, 2009 compared to \$2.6 million for the quarter ended June 30, 2008. This was primarily attributable to the significantly lower net loss in the quarter. For the six-month period cash used in operations improved slightly to \$4.8 million versus \$4.9 million as the reduction in the net loss was primarily attributable to changes in items not involving current cash flows.

Net cash used in investing activities totaled \$148,000 and \$203,000 for the three and six months ended June 30, 2009 compared \$57,000 and \$56,000 in the three and six months ended June 30, 2008. The additions in the three and six months ended June 30, 2009 primarily relate to deposits on and purchases of new production equipment as the Company continued the process of expanding capacity at its Québec manufacturing facility in preparation for the anticipated production launch of Pennsaid for the U.S. later this year.

Net cash provided by financing activities totaled \$3.2 million and \$5.3 million for the three and six months ended June 30, 2009, compared to \$0.9 million for both the three and six months ended June 30, 2008. During the quarter, the Company received proceeds of \$3.2 million (\$5.4 million for the six months) upon the exercise of warrants including net proceeds of \$1.5 million (\$3.7 million for the six months) from the 2009 Warrant Incentive Program. In addition, subsequent to quarter end, the Company received additional proceeds of \$5.7 million from the exercise of 19.1 million warrants prior to their expiry on July 13, 2009.

Detailed financial statements and the MD&A are available at www.nuvoresearch.com or www.sedar.com.

About Pennsaid

Pennsaid, the Company's lead product, is used to treat the pain and symptoms associated with knee osteoarthritis. Pennsaid combines a transdermal carrier (containing dimethyl sulfoxide, popularly known as "DMSO") with diclofenac sodium, a leading non-steroidal anti-inflammatory drug ("NSAID"), and delivers the active drug through the skin directly to the site of pain. While, conventional oral NSAIDs expose patients to potentially serious systemic side effects such as gastrointestinal bleeding and cardiovascular risks, Nuvo's clinical trials suggest that some of these systemic side effects occur less frequently with topically applied Pennsaid. There are more than 27 million Americans suffering from osteoarthritis and the United States market for this condition is estimated at US\$4 billion annually.

About Nuvo Research Inc.

Nuvo is focused on the research and development of drug products delivered to and through the skin using its topical and transdermal drug delivery technologies. Nuvo's lead product is Pennsaid, a topical NSAID used for the treatment of osteoarthritis of the knee. Nuvo intends to leverage its skin-penetrating technologies to create a portfolio of topical and transdermal products targeting a variety of indications.

Nuvo 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 center in San Diego, California. For more information, please visit www.nuvoresearch.com.

These forward-looking statements, by their nature, necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking statements. The Company considers the assumptions on which these forward-looking

statements are based to be reasonable at the time they were prepared, but caution that these assumptions regarding future events, many of which are beyond the control of the Company, may ultimately prove to be incorrect. Factors and risks, which could cause actual results to differ materially from current expectations, are discussed in the annual report, as well as in the Company's Annual Information Form for the year ended December 31, 2008. The Company disclaims any intention or obligation to update or revise any forward-looking statements whether a result of new information or future events, except as required by law. For additional information on risks and uncertainties relating to these forward-looking statements, investors should consult the Company's ongoing quarterly filings, annual report and Annual Information Form and other filings found on SEDAR at www.sedar.com.

For more information about Nuvo, please contact:

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Summary financial statements attached:

**NUVO RESEARCH INC.
CONSOLIDATED BALANCE SHEETS**

	As at June 30, 2009 Unaudited \$	As at December 31, 2008 Audited \$
(thousands of Canadian dollars)		
ASSETS		
CURRENT		
Cash and cash equivalents	26,260	15,219
Accounts receivable	2,277	2,294
Other receivable	367	-
Inventories	1,724	1,393
Prepaid expenses and other	432	446
TOTAL CURRENT ASSETS	31,060	19,352
Restricted cash	89	93
Property, plant and equipment	1,896	1,990
TOTAL ASSETS	33,045	21,435
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT		
Accounts payable and accrued liabilities	2,400	2,736
Deferred revenue	2,241	2,241
Current portion of long-term debt and capital lease obligations	162	181
TOTAL CURRENT LIABILITIES	4,803	5,158
Deferred revenue	13,542	3,321
Long-term debt and capital lease obligations	227	320
Debentures	2,795	4,774
TOTAL LIABILITIES	21,367	13,573
SHAREHOLDERS' EQUITY		
Common shares	202,524	189,603
Warrants	6,466	10,847
Contributed surplus	7,402	6,890
Accumulated other comprehensive income	114	114
Deficit	(204,828)	(199,592)
TOTAL SHAREHOLDERS' EQUITY	11,678	7,862
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	33,045	21,435

NUVO RESEARCH INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

Unaudited	Three-months ended		Six-months ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
(thousands of Canadian dollars except per share and share amounts)	\$	\$	\$	\$
REVENUE				
Product sales	2,075	1,795	4,458	3,770
Cost of goods sold	1,449	1,001	2,583	2,085
Gross margin on product sales	626	794	1,875	1,685
Other revenue				
Licensing fees	560	250	1,120	500
Research and other contract revenue	71	40	175	51
	1,257	1,084	3,170	2,236
EXPENSES				
Research and development	842	2,133	3,776	4,237
Selling, general and administrative expenses	1,791	1,162	3,154	2,286
Stock-based compensation	132	216	264	366
Amortization of property, plant, and equipment and intangibles	148	207	297	412
Foreign currency (gain) loss	(210)	36	(219)	(243)
Interest expense	227	325	473	628
Interest income	(9)	(131)	(43)	(315)
	2,921	3,948	7,702	7,371
NET LOSS AND TOTAL COMPREHENSIVE LOSS	(1,664)	(2,864)	(4,532)	(5,135)
Net loss per common share – basic and diluted	(0.01)	(0.01)	(0.01)	(0.02)
Average number of common shares outstanding – basic and diluted (millions)	352.6	303.1	336.2	301.3

NUVO RESEARCH INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited (thousands of Canadian dollars)	Three-months ended		Six-months ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net loss	(1,664)	(2,864)	(4,532)	(5,135)
Items not involving current cash flows:				
Amortization	148	207	297	412
Deferred revenue recognized	(560)	(450)	(1,120)	(711)
Stock-based compensation and payments	132	216	264	366
Deferred stock unit expense	145	-	239	-
Accretion of interest on debentures	147	227	295	434
Other	(273)	91	(257)	(261)
Net change in non-cash working capital	(276)	284	(576)	(342)
Proceeds from licensing arrangements and advances on research contracts	11,318	-	11,341	-
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	9,117	(2,289)	5,951	(5,237)
INVESTING ACTIVITIES				
Acquisition of property, plant and equipment	(148)	(57)	(203)	(84)
Proceeds from sale of assets	-	-	-	28
CASH USED IN INVESTING ACTIVITIES	(148)	(57)	(203)	(56)
FINANCING ACTIVITIES				
Issuance of common shares and warrants, net of related costs	3,246	947	5,442	947
Repayments of long-term debt and capital lease obligations	(32)	(16)	(94)	(60)
CASH PROVIDED BY FINANCING ACTIVITIES	3,214	931	5,348	887
Effect of exchange rate changes on cash and cash equivalents	(99)	(298)	(55)	(37)
Net change in cash and cash equivalents during the period	12,084	(1,713)	11,041	(4,443)
Cash and cash equivalents, beginning of period	14,176	19,061	15,219	21,791
CASH AND CASH EQUIVALENTS, END OF PERIOD	26,260	17,348	26,260	17,348
<i>Interest paid</i>	<i>166</i>	<i>128</i>	<i>261</i>	<i>154</i>