



Nuvo Pharmaceuticals™ Announces 2018 Second Quarter Results

**- Reports \$1.9 million of Adjusted EBITDA on \$5.9 million of Revenue -
- Finished the Quarter with \$8.7 million of Cash and no Debt -**

- Nuvo to Host Conference Call/Audio Webcast August 2nd at 8:30 a.m. ET -

Mississauga, Ontario, Canada – August 2, 2018 – Nuvo Pharmaceuticals Inc. (Nuvo or the Company) (TSX:NRI; OTCQX:NRIF), a globally focused, healthcare company with a portfolio of commercial products and pharmaceutical manufacturing capabilities, today announced its financial and operational results for the second quarter ended June 30, 2018. For further details on the results, please refer to Nuvo's Management, Discussion and Analysis (MD&A) and Condensed Consolidated Interim Financial Statements which are available on the Company's website (www.nuvopharmaceuticals.com). All figures are in Canadian dollars, unless otherwise noted.

Second Quarter 2018 Highlights and Business Update

- On June 18, 2018, the Company's licensing partner for Pennsaid® 2% in Switzerland and Lichtenstein, Gebro Pharma AG (Gebro Pharma), received notification from Swissmedic that Gebro Pharma could submit the Pennsaid 2% marketing authorization application in Switzerland during the third quarter of 2018 which triggered a milestone payment from Gebro Pharma to the Company.
- On June 18, 2018, the Company received notification from the Austrian Medicines and Medical Devices Agency (AGES), that the Company could submit its marketing authorization application for Pennsaid 2% during the fourth quarter of 2018. The Company intends to submit this application to AGES during the fourth quarter as instructed.
- On July 23, 2018, the Company announced its wholly owned subsidiary Nuvo Pharmaceuticals (Ireland) Limited (Nuvo Ireland) had entered into a license and supply agreement with Fagron Belgium NV (Fagron) for Resultz®. The license agreement grants Fagron the commercialization rights to Resultz in Belgium, the Netherlands and Luxembourg (BeNeLux or the Territory) as a class one medical device for the human treatment of head lice infestation. Resultz is already cleared for marketing in the Territory. Nuvo Ireland received upfront consideration, will receive royalties on net sales of Resultz in the Territory and will earn revenue from Fagron pursuant to an exclusive supply agreement.
- Pursuant to the Company's notice of intention to make a normal course issuer bid for a portion of its outstanding common shares, the Company purchased 229,394 common shares with available cash on hand for a total cost of \$729,659 or \$3.18 per share. The common shares acquired by Nuvo were cancelled.

Second Quarter Financial Summary

- Total revenue was \$5.9 million for the three months ended June 30, 2018 compared to \$3.1 million for the three months ended June 30, 2017.
- Adjusted EBITDA⁽¹⁾ was \$1.9 million for the three months ended June 30, 2018 compared to \$(0.1) million for the three months ended June 30, 2017.
- Net income was \$1.1 million for the three months ended June 30, 2018 compared to \$(0.2) million for the three months ended June 30, 2017. Net income was inclusive of non-cash amortization expense of \$0.5 million related to the Resultz patents.

- Cash and short-term investments were \$8.7 million as at June 30, 2018 compared to \$6.5 million as at March 31, 2018.

⁽¹⁾ Adjusted EBITDA is a non- International Financial Reporting Standards (IFRS) financial measure defined by the Company below.

“The improved year-over-year financial results reflect the return of Pennsaid 2% physician sample production and more consistent Pennsaid 2% commercial bottle production at our manufacturing facility for our U.S. partner, Horizon Pharma. The Nuvo team made considerable progress towards Pennsaid 2% regulatory submissions in the E.U. and Switzerland planned for later this year. And finally, our Resultz partnering efforts are beginning to yield results with the announcement of our first licensing transaction with Fagron in the BeNeLux region,” said Jesse Ledger, Nuvo's President and CEO.

Growth Strategy

The Company's focus, in the short-term, is to continue to maximize the value of Pennsaid 2% and Resultz through out-licensing to commercial partners in international markets, identifying new opportunities to acquire additional, revenue generating or late-stage products or businesses to further diversify the Company's existing product portfolio and revenue streams and to better utilize the Company's manufacturing facility in Varennes, Québec.

Table of Selected Financial Results

For further details on the results, please refer to Nuvo's MD&A and the Condensed Consolidated Interim Financial Statements which are available on the Company's website (www.nuvopharmaceuticals.com).

	Three months ended			Six months ended		
	June 30, 2018	June 30, 2017	Change	June 30, 2018	June 30, 2017	Change
<i>(in thousands, except gross margin)</i>	\$	\$	\$	\$	\$	\$
Product Sales	5,349	2,786	2,563	9,104	9,439	(335)
Other Revenue	526	314	212	1,202	643	559
Total Operating Expenses	4,695	3,247	1,448	9,544	7,963	1,581
Gross Margin % on Product Sales	56%	48%	8%	53%	55%	(2)%
Net Income (Loss)	1,054	(203)	1,257	885	1,993	(1,108)
Adjusted EBITDA	1,851	(114)	1,965	2,409	2,184	225

Total revenue, consisting of product sales, license and contract revenue for the three months ended June 30, 2018 was \$5.9 million compared to \$3.1 million for the three months ended June 30, 2017. The increase in total revenue was primarily related to an increase in Pennsaid 2% product sales to our U.S. partner, Horizon Pharma plc. Total revenue for the six months ended June 30, 2018 was \$10.3 million compared to \$10.1 million for the comparative six-month period.

Total operating expenses for the three months ended June 30, 2018 were \$4.7 million compared to \$3.2 million for the three months ended June 30, 2017. The increase in operating expenses was primarily attributable to an increase in cost of goods sold (COGS), general and administrative (G&A) expenses and depreciation and amortization. Total operating expenses for the six months ended June 30, 2018 were \$9.5 million, an increase from \$8.0 million for the six months ended June 30, 2017.

COGS for the three months ended June 30, 2018 was \$2.3 million compared to \$1.5 million for the three months ended June 30, 2017. Gross margin on product sales was \$3.0 million or 56% for the three months ended June 30, 2018 compared to a gross margin of \$1.3 million or 48% for the three months ended June 30, 2017. For the six months ended June 30, 2018, COGS was \$4.3 million compared to \$4.2 million in the comparative six-month period. Gross margin on product sales for the six months ended June 30, 2018 was \$4.9 million or 53% compared to \$5.2 million or 55% for the six months ended June 30, 2017. The Company's gross margin on product sales was impacted by the volume and mix of products sold during the current and comparative three and six-month periods. The Company's gross margin was also impacted by the Canadian dollar versus the U.S. dollar, the currency in which it earns certain product revenues and sources select Pennsaid 2% and Pennsaid raw materials.

G&A expenses were \$1.9 million for the three months ended June 30, 2018 compared to \$1.6 million for the three months ended June 30, 2017. G&A expenses were \$4.3 million for the six months ended June 30, 2018 compared to \$3.3

million for the six months ended June 30, 2017. The increase in both the current three and six-month periods was attributable to compensation and stock-based compensation (SBC) associated with an increased employee headcount resulting from the strengthening of the executive and senior management team to facilitate the Company's growth strategy. Furthermore, the Company recognized costs to support the transition and establishment of the Resultz business and in scientific and regulatory costs associated with the advancement of the Company's Pennsaid 2% European regulatory strategy, the majority of which are one-time in nature.

For the three and six months ended June 30, 2018, the Company recognized non-cash costs of \$0.5 million and \$1.0 million in amortization relating to the Resultz patents.

Net income for the three months ended June 30, 2018 was \$1.1 million compared to a net loss of \$0.2 million for the three months ended June 30, 2017. In the current quarter, the increase was primarily attributable to a \$1.7 million increase in gross margin and a \$0.2 million increase in other revenue, offset by a \$0.5 million increase in amortization and a \$0.1 million increase in the fair value remeasurement of the Company's contingent and variable consideration. Net income for the six months ended June 30, 2018 was \$0.9 million compared to \$2.0 million for the six months ended June 30, 2017.

Adjusted EBITDA increased to \$1.9 million for the three months ended June 30, 2018 compared to \$(0.1) million for the three months ended June 30, 2017. The increase in Adjusted EBITDA for the current quarter was primarily attributable to an increase in gross margin and an increase in other revenue related to the Resultz sales-based royalties. Adjusted EBITDA increased to \$2.4 million for the six months ended June 30, 2018 compared to \$2.2 million for the comparative six-month period.

Cash and short-term investments were \$8.7 million as at June 30, 2018 compared to \$6.5 million as at March 31, 2018. The increase in cash was primarily related to an increase in cash provided by operations.

The number of common shares outstanding as at June 30, 2018 was 11,368,455.

Non-IFRS Financial Measures

Adjusted EBITDA

EBITDA is a non-IFRS financial measure. The term EBITDA does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. The Company defines Adjusted EBITDA as net income before net interest income, plus income tax expense (recovery), depreciation and amortization and SBC. Management believes Adjusted EBITDA is a useful supplemental measure from which to determine the Company's ability to generate cash available for working capital, capital expenditures and income taxes.

The following is a summary of how EBITDA and Adjusted EBITDA are calculated:

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
in thousands	\$	\$	\$	\$
Net income (loss)	1,054	(203)	885	1,993
Add back:				
Income tax expense (recovery)	46	-	(128)	-
Net interest income	(9)	(34)	(30)	(72)
Depreciation and amortization	611	58	1,225	112
EBITDA	1,702	(179)	1,952	2,033
Add back:				
Stock-based compensation	149	65	457	151
Adjusted EBITDA	1,851	(114)	2,409	2,184

Management to Host Conference Call/Webcast

Management will host a conference call to discuss the results today (Thursday, August 2, 2018) at 8:30 a.m. ET. To participate in the conference call, please dial 1 888 390 0546 or 416 764 8688. Please call in 15 minutes prior to the call to secure a line. You will be put on hold until the conference call begins.

A taped replay of the conference call will be available two hours after the live conference call and will be accessible until August 9, 2018 by calling 1 888 390 0541 or 416 764 8677 playback passcode 566651.

A live audio webcast of the conference call will be available through www.nuvopharmaceuticals.com. Please connect at least 15 minutes prior to the conference call to ensure adequate time for any software download that may be required to hear the webcast.

About Nuvo Pharmaceuticals Inc.

Nuvo (TSX: NRI; OTCQX: NRIFF) is a globally focused, healthcare company with a portfolio of commercial products and pharmaceutical manufacturing capabilities. Nuvo has four commercial products that are available in a number of countries: Pennsaid® 2%, Pennsaid, Resultz® and the heated lidocaine/tetracaine patch. Nuvo manufactures Pennsaid 2% for the U.S market, Pennsaid for the global market and the bulk drug product for the HLT Patch at its FDA, Health Canada and E.U. approved manufacturing facility in Varennes, Québec. The Company's focus is to maximize the value of Pennsaid 2% and Resultz through out-licensing to commercial partners in international markets and identifying new opportunities to acquire additional, revenue generating or late-stage products or businesses to further diversify the Company's existing product portfolio. For additional information, please visit www.nuvopharmaceuticals.com.

FOR MORE INFORMATION, PLEASE CONTACT:

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Forward-Looking Statements

This Press Release contains "forward-looking statements" within the meaning of applicable securities laws. Forward-looking statements can be identified by words such as: "anticipate," "intend," "plan," "goal," "seek," "believe," "project," "estimate," "expect," "strategy," "future," "likely," "may," "should," "will" and similar references to future periods.

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on the Company's current beliefs, expectations and assumptions regarding the future of its business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of the Company's control. Nuvo's actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, readers should not rely on any of these forward-looking statements. Important factors that could cause Nuvo's actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the risk factors included in Nuvo's most recent Annual Information Form dated March 22, 2018 under the heading "Risks Factors", and as described from time to time in the reports and disclosure documents filed by Nuvo with Canadian securities regulatory agencies and commissions. These and other factors should be considered carefully and readers should not place undue reliance on Nuvo's forward-looking statements. As a result of the foregoing and other factors, no assurance can be given as to any such future results, levels of activity or achievements and none of Nuvo or any other person assumes responsibility for the accuracy and completeness of these forward-looking statements.

Any forward-looking statement made by the Company in this Press Release is based only on information currently available to it and speaks only as of the date on which it is made. Except as required by applicable securities laws, Nuvo undertakes no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.