

NUVILEX, INC.

Natural Products Leader Is An Undiscovered Gem

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NUVILEX, INC. (OTC:QB - NVLX - \$0.026)

Price Target: \$0.50

Rating: Speculative Buy

COMPANY SNAPSHOT

Nuvilex, Inc. is an innovative “green” company dedicated to developing and marketing scientifically derived products designed to improve the health and well-being of those that use them. The Company’s primary offerings are in the estimated \$150 billion natural products industry including popular natural supplements. Nuvilex has been awarded 14 patents for a number of its formulations and its broad product line is sold via the Web and in major stores such as The Vitamin Shoppe and specialty outlets across the U.S. The Company has a deep research and development portfolio in the natural products arena and is leveraging this knowledgebase into the development of potentially blockbuster biotechnology products.

KEY STATISTICS

Price as of 5/9/11	\$0.026
52 Wk High – Low	\$0.04 – 0.004
Est. Shares Outstanding	353.0M
Market Capitalization	\$9.2M
3 Mo Avg Vol	429,000
Exchange	OTC:QB

COMPANY INFORMATION

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INVESTMENT HIGHLIGHTS

Nuvilex is poised to emerge as a leader in four key market segments of the \$150 billion natural products space: Nutraceuticals, Cosmetics, “Green” Cleansers, and Lawn/Crop Protection. Few companies in the industry have as broad and diverse a family of products sold in major outlets, on the Web with the reach growing.

With 14 patents under its belt, Nuvilex’s research and development portfolio provides the Company with a major competitive advantage. Nuvilex is monetizing this advantage through the release of 2 potentially eco-friendly blockbusters slated for release in the next 18 months that should immediately capture share of a combined multi-billion market opportunity.

New management has recently purchased 5 million shares and has energized the Company with the swift execution of key milestones. Plus, the new Nuvilex leadership has engaged in pre-clinical development of natural product-based biotechnology products such as the anti-cancer agent *Alterna™* that should raise Nuvilex’s valuation and profile.

Investors should expect to witness major hockey stick-type growth in 2011. The Company should benefit from increased sales and distribution of its flagship nutraceutical *Cinnergene™*, along with sales of *Talsyn™*, a topical solution for scar abatement. Additionally, the expected 2H11 marketing of *Citroxin™*, an innovative eco-friendly, anti-bacteria, sterilizer and cleanser offers huge direct and private label sales potential.

We believe that Nuvilex is currently valued for its current product portfolio only, so investors get the rest of the Company for free. In our view, Nuvilex’s share price does not reflect the expected launch of new products or the value of the pre-clinical development portfolio, which are likely worth at least \$0.05 alone today. As new product sales and biotechnology development milestones are met, we believe that the shares could reach \$0.50 by year end. Thus, we rate Nuvilex a Speculative Buy.

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COMPANY OVERVIEW

Nuvilex, Inc. is an innovative “green” company dedicated to developing and marketing scientifically derived products designed to improve the health and well-being of those that use them. The Company traces its roots back ten years and has been selling a variety of natural products, including its flagship *Cinnergen™* to consumers for some time. While the strength of the Company has traditionally been its product pipeline and portfolio, previous management teams made missteps typical of emerging companies, which, until recently, had stymied growth.

Recognizing that the Company needed a new captain at the helm, new management was brought in during the first part of 2011. The first step the new CEO Dr. Robert Ryan executed was a purchase of 5 million shares of Nuvilex stock. This maneuver was not just a symbolic one as it illustrates new management’s commitment to shareholders and the Company as he also has “skin in the game.” Typically, new management teams are offered stock upon taking over a new firm. Dr. Ryan bought a meaningful amount of shares.

Since Dr. Ryan joined roughly three months ago, he has brought on Dr. Gerald Crabtree as COO, and overseen near term milestones which set the stage for Nuvilex to increase its shareholder value. These initiatives include:

- New trading on the OTC QB, which has resulted in an increase in daily volume
- Overhaul of online distribution capabilities, including the addition of new personnel to ensure sales growth
- Introduction of new distribution relationships, operational oversight
- Introduction of new packaging sizes in response to customer requests

Most importantly, Nuvilex has embarked on what we view as an innovative three-pronged approach. This strategy properly leverages the underlying assets of the Company (which includes 14 patents), and leads to monetization in such a fashion that Nuvilex should emerge as a leader in key segments of the natural products space and as a proprietary, biotechnology products developer. Looking ahead, the Company’s most recent research and development on natural anticancer agents, has interesting potential and warrant close attention. Separately, Nuvilex may seek to extend its footprint in China through acquisition.

Three-Headed Monster

In our view, Nuvilex has created a three-headed monster. The first head involves the *existing natural products (nutraceutical) line* designed to improve health. Sales in this category have already enjoyed a jump in sales, with the renewed focus on distribution and packaging. The second head represents upcoming products which are *eco-friendly alternatives to everyday consumer and institutional chemical-based products*. The third head is the leverage of Nuvilex’s existing R&D pipeline by engaging in *pre-clinical and clinical development of natural product-based biotechnology products* for treatment of cancer and other life-threatening disease or chronic conditions.

The nutraceutical line represents the current revenue generator, while the eco-friendly alternative line, due to its inherent differentiation and efficacy, will likely dwarf sales of the present product line after its release in 2H11. Finally, the clinical development approach, while a lengthier and more costly undertaking, could lead to FDA-approved, blockbuster biotechnology products. Thus, with the re-vamped Nuvilex, investors now own multiple shots on goal.

Current Nuvilex Offerings: Nutraceutical

Cinnergen™ - Available in multiple package sizes, this cinnamon-based flagship product is a liquid whole nutritional supplement designed to aid diabetics or pre-diabetic individuals in a number of ways. First, it aids in insulin resistance and fluctuations in blood glucose levels. In addition, it may also assist in processing lipids (fat droplets) in blood circulation. *Cinnergen™* contains 0 grams of carbohydrates and fats, has no calories, and does not contain any artificial flavors or sweeteners. In addition to its availability on the Company’s website and other sites, *Cinnergen™* is sold in major stores such as The Vitamin Shoppe. Management also recently secured distribution agreements in Canada and China.



Company Report

Cinnechol™ - This innovative product is available in a capsule form and is used by consumer seeking to maintain normal cholesterol levels and support normal cardiovascular functions. The main ingredient is red yeast rice extract, along with niacin and gum guggul extract. *Cinnechol™* can be used as a dietary supplement for those suffering from a variety of cardiovascular and metabolic disorders including dyslipidemia, hypertension, hypoglycemia, and hyperglycemia. Finally, the drug may be used as an alternative to drugs known as statins, which some people cannot tolerate.



Reme-Flu™- This product is a unique two-part homeopathic medicine for preventing and treating symptoms of flu including fever, aches and pains, chills, runny nose and cough. *Reme-Flu™* is comprised of two individual steps including swallowing a single sub-lingual tablet followed by a second step which focuses more on flu symptoms commonly associated with the respiratory system and is delivered in a sub-lingual liquid vehicle combined with unique Syn-X9 Formulation. Syn-X9 is a special blend of homeopathic compound that enhances cellular absorption of the active ingredients. It can also help cells better expel noxious materials from the cell thereby expediting the healing process.

Current Nuvilex Offerings: Cosmetics (Scar Abatement, Tattoo Removal)

Talsyn™ CI Scar Cream – Unlike the products above, *Talsyn™* CI Scar Cream is a topical solution. This fragrant cream has been clinically proven to advance the healing and appearance of keloids, surgical incisions, and scars. The main ingredients are glycine soja oil (derived from soybeans), aloe vera, and calophyllum oil. *Talsyn™* CI Scar Cream is endorsed by renowned plastic and reconstructive surgeons in the United States, and will not stain or damage clothing fabric.



Infinitink® - This unique tattoo ink product is specifically engineered for removal but can remain permanent in application. Leading research scientists and physicians from Brown University, Duke University, Massachusetts General Hospital, and Freedom2 developed the product with advanced materials research. *Infinitink®* is manufactured under strict guidelines that meet or exceed industry standards, and is recognized for safe use by the FDA for use in cosmetics.

Nuvilex Offerings under Development: Eco-Friendly

Citroxin™ - A patented blockbuster product, *Citroxin™*, looks like it will be offered later this year which could emerge as a major sales driver. *Citroxin™* is a “green” surface cleaner and sterilizer that rivals chemical cleaners. We believe Nuvilex is in the 8th inning of the product submission and approval with the EPA. Once approved, Nuvilex could elect to private label the product or sell it directly to consumers, hospitals and other businesses seeking an eco-friendly alternative to current, toxic, chemical-based products. The current market opportunity is likely \$10 billion annually.

Oraphyte™ - Much like *Citroxin™*, *Oraphyte™* is designed as an eco-friendly alternative to chemical-based products, but in this case *Oraphyte™* is an all-natural nematocide. The *Oraphyte™* formula is a non-toxic, biodegradable proprietary combination of organic materials highly effective in combating nematodes harmful to grass and other plants. There is great demand for such a solution for lawn and crop protection and it has the potential ability to replace methyl bromide and other extremely hazardous chemicals presently being used in the US and abroad.

Nuvilex Offerings under Development: Alterna™

Nuvilex’s first anti-cancer agent, *Alterna™*, is composed of all-natural ingredients, and was originally created and its initial testing driven by Knock-Out Technologies. It appears from the suggestion that Nuvilex has “completed the formulation” that initial in vitro and/or in vivo testing of *Alterna™* has been completed. We believe the press release indicating there is a formulation also indicates management will be announcing the results of their pre-clinical testing shortly. We believe that the results will be positive, and that Nuvilex is likely to move forward with animal testing and then clinical development. As each stage of development moves forward, the underlying value of the product to shareholders should inherently rise.

COMPETITIVE ADVANTAGES

- Nuvilex is leveraging one of the deepest natural product R&D portfolios with 14 patents.
- The Company offers a broad, diverse suite of current nutraceutical offerings targeting multiple markets.
- Under new management, Nuvilex has engaged in a varied yet staged, product and market scalable, strategy.
- Drs. Ryan and Crabtree have extensive experience in bringing pre-clinical products through the development stage which is a major advantage relative to other natural products firms seeking to enter the biotech arena with their offerings.

INVESTMENT RISKS

In our view, the greatest risk to investors is execution risk with respect to broadening distribution, enhancing operations, and increasing sales of existing products. Separately, the length of time market education may need to be undertaken to capture steady, meaningful sales and entrance into new markets with its eco-friendly offerings may be a barrier to quick success. Delays may occur despite the fact of documented health, eco-benefits and performance of its products and the sector as a whole. Other risk factors including the possible need for additional capital to fund its growth, and competition from larger firms are all consistent with firms of Nuvilex's size and standing. Finally, despite efforts in the biotechnology space, the Company runs the risk the development may not result in a market-approved product.

VALUATION AND CONCLUSION

Nuvilex, Inc. is poised to become a major player in multiple segments of the multi-billion dollar and natural products space. The Company is taking advantage of favorable "green energy and green products" industry drivers, its experience, innovation and scalability to build its existing lines and enter new verticals. Investors should expect to witness major hockey stick-type growth in 2011. The Company should benefit from increased sales and distribution of its flagship nutraceutical *Cinnergene™*, along with sales of *Cinnechol™*, a beneficial natural product that aids in maintaining normal lipid and cholesterol levels as well as support cardiovascular function, *Talsyn™*, a topical solution for scar abatement. The Company's most recent research and development on natural anticancer agents, *Alterna™*, has interesting potential and may warrant a future update. Additionally, the expected 2H11 potential marketing of *Citroxin™*, an innovative eco-friendly, antimicrobial, sterilizer and cleanser offers huge direct and private label sales potential. Thus, unlike most firms in the sector, Nuvilex investors benefit from multiple shots on goal.

At the current valuation, the Street appears to value Nuvilex for the current product portfolio only. Therefore, investors get the rest of the business for free. We believe that Nuvilex's current share price does not reflect the potential inherent in sales following the expected launch of new products or the value of the pre-clinical development portfolio, which are likely worth at least \$0.05 alone today. In our view, as new product sales and biotechnology development milestones are met, the stock could reach \$0.50 by year-end. Thus, we rate Nuvilex a Speculative Buy.

Company Report

Recent Trading History For NVLX
(Source: Stockta.com)



NUVILEX, INC. (OTC:QB - NVLX)

Analyst: Robert Goldman

Rob Goldman has over 20 years of investment and company research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell-side analyst, Rob was a senior member of Piper Jaffray's Technology and Communications teams. Prior to joining Piper, Rob led Josephthal & Co.'s Washington-based Emerging Growth Research Group. In addition to his sell-side experience Rob served as Chief Investment Officer of a boutique investment management firm and Blue and White Investment Management, where he managed Small Cap Growth portfolios and *The Blue and White Fund*.

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I, Robert Goldman, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report.

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