

Company Update

NUVILEX, INC.

Buy Now While the Stock is on Sale

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NUVILEX, INC. (OTC:QB – NVLX - \$0.055)

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 6/10/11	\$0.055
52 Wk High – Low	\$0.104 – 0.004
Est. Shares Outstanding	353.0M
Market Capitalization	\$19.4M
3 Mo Avg Vol	1,500,000
Exchange	OTC:QB

COMPANY INFORMATION

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INVESTMENT HIGHLIGHTS

Investors not buying NVLX at current prices are going to regret it later, in our opinion. The modest retreat following the sprint-like rise is typical of large-scale, small company increases in volume and share price.

Given the ridiculously low valuation amid the backdrop of corporate strategy shifts and pending news, we view the current price as a short-term “sale” price which will end very soon.

With the market in general mired in a slump and the weak Nuvilex stock performance, we believe some perspective is the key to unlocking success. History shows us that it is times like these when investors either make the most of or lose out on their greatest opportunities.

Our Take

Since stocks began trading in the U.S. well over 100 years ago, the age-old question has been: “*Why is the stock down?*” A better question is “Where is the stock headed?” Frankly, with the stock down, we have even greater confidence that NVLX will be substantially higher in the near term.

Investing or trading in stocks should be executed in a dispassionate manner. However, in most cases, small stocks in particular trade based on psychology and emotion. Thus, the trading activity, movement and valuation remain inefficient and not reflective of true prospects or assets. Clearly, the stock has traded irrationally, which creates the great opportunity.

In hindsight, the majority of investors did not fully understand the transformation of the Company from natural products provider to biotech. When it happened so quickly, the stock ran big time and on huge volume. As a result, some investors took profits, some naked shorts presented themselves, and others were unsure what to do since the transformation was executed quickly and with limited information. Thus the movement was temporarily unsustainable.

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Perspective: Major Shifts + Major Positives = Higher Valuation

A little perspective is useful. Since we initiated coverage one month ago, only good news has been announced. This news ranges from the positive but mundane (gluten free certification for flagship products which will boost sales) to exciting (early stage preclinical results for patented anti-cancer agent) to groundbreaking (the Phase I/IIa pancreatic cancer trial results and acquisition of the encapsulated living cell technology.) All of them have added incremental to substantial value to the Company's overall valuation.

What should give investors comfort is that there are specific rules of thumb for biotech valuations, regardless of the recent retreat. When trading inefficiencies based upon emotion occur, unusual opportunities arise. These inefficiencies do not last long and tend to turn on a dime. Nuvilex's share price today, is one of those opportunities. **We think the stock is worth \$0.30 today, based largely upon typical industry valuation metrics.** Even if we are off by 1/3, the stock would be worth four times current levels. Four times!

Clearly, some investors took money off the table prematurely and short sellers stepped in behind them. Based upon the appetite for undervalued micro cap biotechs, it appears investors are realizing the underlying inherent value not factored into the stock and the trigger to start the next wave higher could be the simple fact that the stock is so obviously cheap. Given the expectation that we are likely on the cusp of more news, the Nuvilex train will be leaving the station very soon. Interestingly, even on just a technical basis, it is likely the stock will run to \$0.20 when the \$0.10 price is breached again, as longs and shorts realize this underlying value is not hidden, not faked, just overlooked and underappreciated.

Valuation and Conclusion

As noted in a recent update, our valuation methodology is based on several factors. First, a typical rule of thumb for biotech valuations of companies at this stage of development (completion of Phase IIa) is in the \$40-60M range, depending upon treatment, size of market, strength of initial results, etc.

A great comparable for Nuvilex is an Australian-based firm called Living Cells Technologies Limited (OTC: LVCLY.) This Company also has an encapsulated living cells technology in clinical trials. Based on the recent share price, LVCLY is trading at a market capitalization of roughly \$30M. However, since LVCLY is not targeting oncology, and is not as far ahead as Nuvilex, NVLX should trade at a much higher valuation, not a discount.

We derive a present day valuation for this Phase II technology and Nuvilex's Alternia preclinical drug at \$70M, or \$0.20 per share. Our baseline valuation of the nutraceuticals business remains \$0.05 per share, and other intangibles equal an additional \$0.05, totaling \$0.30 per share today, for Nuvilex.

As noted above, the Street has not yet begun to realize or embrace the transformation of the firm and afford a valuation even close to reflecting the shift and status. *That will change.* Therefore, **investors have an unusual opportunity to buy shares in a fast-growing biotech for the price of a nutraceutical.**

We reiterate our Speculative Buy rating and our \$0.50 price target with the understanding that this target is likely to be raised close to the \$1.00 mark as more information on the recent Nuvilex technology acquisition becomes available.

Company Update

Analyst: Robert Goldman

Rob Goldman has 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*.

Analyst Certification

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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