

NUTRALOGIX LABORATORIES, INC.

(OTC PK:NGXL)

Michael Grobler, CFA
Romark7@aol.com
(917) 345 9894

Website: <http://www.nutralogixlabs.com>
Exchange(s): US-OTC Pink Sheets
Contact: investors@nutralogixlabs.com

Recent Price: **\$0.25**
Target Price: **\$1.30**

SPECULATIVE NEUTRAL RATING

Scientifically Engineered Breakthrough Nutraceuticals

Company Overview

Nutralogix Laboratories, Inc. (OTC:PK - NGXL), an innovative sports supplement company, is dedicated to providing consumers with products that will enable them to reach their desired goals. The products have been specially formulated to enhance one's physique, performance and overall well-being. All Nutralogix products are compliant with the US Food & Drug Administration's CGMPs standards.

Main Headquarters

Nutralogix Laboratories Inc.
1792 Belltower Lane
Weston, FL 33326
United States of America

Tel: (954) 392 1332
Fax: (954) 392 1333



NUTRALOGIX LABORATORIES, Incorporated.	
<i>(all figures in Millions)</i>	
52 Week Hi/Lo Range	1.00/0.058
Fiscal Year End	31-Dec
Shares Outstanding	6.9
Float (approximately)	4.0
Share price (09/22/2006)	0.27
Market Capitalization	1.9
Average Volume (3 months)	NA
Insider Ownership	NA
Institutional Ownership	NA
Enterprise Value (EV)	NA
Long Term Debt	NA
Total Cash	NA
12/31/2007 12/31/2008	
FY2007 E FY2008 E	
Earnings Per Share (EPS)	0.329 0.621
Book Value (\$/share)	
FY2007 E FY2008 E	
Total Revenue	6.300 9.700
Cost of Sales	2.400 3.180
Gross Profit/Loss	3.900 6.520
Operating expenditures	1.620 2.220
Income/Loss from Operations	2.280 4.300
Net Interest Expense	
Tax Items	
Net Income	2.280 4.300
NA = Not applicable/Not Available. A = Actual Reported figures E = Estimates	
Balance Sheet & Financial Statement Extracts	
Current Assets	
Current Liabilities	
Total Assets	
Total Shareholders Equity/Deficit	

- Nutralogix possesses of talented management team has the right stuff in **product innovation and marketing know-how** to permit Nutralogix to record strong long-term growth in its industry – the **dietary supplement market**.
- In the US the company has forged a strong and highly **beneficial partnership with Dynamic Health** that leverages their partner's expertise to channel products to the retail shelves while also setting up worldwide distribution and e-commerce.
- Nutralogix announced earlier this month **initial agreements with 9 distributors** to cover the **United Kingdom**, representing the Nutralogix product line of nutraceuticals. The U.K. expansion is regarded as a major component of the international development of the Company's sales and marketing.
- The Company **declared a 10% percent stock dividend** to all shareholders of record as of August 25, 2006 as a reward to loyal shareholders. The dividend was dispersed on September 12, 2006.
- NGXL announced in April the retaining of **Red Mountain Consulting Group of Colorado** to initiate the process of Nutralogix becoming **fully-audited, hence a fully-reporting company**. The Company executive team and Board of Directors took this step in order to provide complete disclosure to existing, new, and future shareholders.
- Given management comments and news releases we estimate that NGXL can **generate revenues of close to \$6.3 million in FY2007 and \$9.7 million in FY2008** as a result of recent announcements is likely to **bolster** revenue growth. Under certain assumptions on the current cost structure and these revenue projections, we believe FY2007 & FY2008 **net income** of \$2.3 million and \$4.3 million respectively is feasible.
- According to EMC, a leading researcher and publisher of intelligence about the **Nutritional Markets**, the industry is estimated to **be \$8.9 billion worldwide annually** and growing at a **rate of 10% per year**. NGXL estimates that if it captures only 1% of the fitness market, its **total sales would exceed +\$40 million per year**.
- The company has logged **over 25,000 hours of study, R&D and bloodwork** to bring a **new line of revolutionary** products to the market.
- Nutralogix Laboratories has made excellent fundamental strides over the last few months. Interest in nutraceutical products and their ability to help slow the aging process and develop and re-develop tissue and muscle is increasing throughout the world. NGXL is operating profitably and sales traction is already evident. With a focus and expansion into international markets (UK, Europe and now Asia) the company NGXL is potentially poised to become a significant player in the Nutritional Supplement Industry, especially in Asia where it enjoys competitive advantages. This little known company could be the next discovered gem in this industry. Our valuation approach that uses both a multiple of earnings or multiple of sales approach suggests significant room for price appreciation. Using pro-forma FY2006 revenue estimate range and applying an 8.9x P/E ratio, which is taken as a benchmark from fellow nutraceutical issues, we arrive at a market valuation, which we deem conservative, of roughly \$9 million or \$1.30 per share, which is our 12-month target price under the assumption that these revenues and earnings milestones are achieved. See INVESTMENT THESIS & RECOMMENDATION for more in-depth discussion (Page 8-10).**

THE COMPANY

Nutralogix Laboratories (**OTC PK:NGXL**), is a Nevada corporation that creates the most unique and powerfully effective sports supplements, innovative formulas, nutritional protocols. It was formerly Human Science Systems Inc. until November 2005. The company prides itself on high quality customer service. Nutralogix Labs strives to keep bringing their satisfied customers breakthrough products that have been scientifically engineered to enhance their physique, performance and well-being. Nutralogix Labs' supplements provide each customer that extra something that is required to obtain the desired results that female and male athletes demand. Nutralogix Labs is here to help each pro athlete and consumer achieves results faster and with their inner health in mind and to allow athletes superior products that can sidestep over-supplementation.

The management team has over 15 years in the sports and health industry. NGXL's background includes services in Nutrition product formulation, chemistry, nutrition, utilizations of sports supplementation, elite athletic contest preparation. NGXL has strength in human respiratory therapy, Certified Chemical Dependency Counselors license, Oncology, Neurology, Orthopedics, Pediatrics-all aspects of Physiotherapy. **NGXL team members hold competitive Pro Status Cards in the fitness industry** as well to prove they also live the lifestyle as well.

This is the type of Management you want to see run this aggressive Company. We believe this talented management team has the right stuff in product innovation and marketing know-how to permit Nutralogix to record strong long-term growth in its industry - **the \$8.9 billion dietary supplement market**. Nutralogix Laboratories has made excellent fundamental strides over the last few months. NGXL is potentially poised to become a significant player in the Nutritional Supplement Industry. This little known company could be the next discovered gem in this industry.

INDUSTRY & STRATEGY

Nutraceutical is a portmanteau of "nutritional" and "pharmaceutical" and refers to foods thought to have a beneficial effect on human health. The term "nutraceutical" was coined in 1989 by Stephen DeFelice, MD, founder and chairman of the Foundation for Innovation in Medicine (FIM), Cranford, NJ. According to DeFelice, 'A nutraceutical is any substance that is a food or a part of a food and provides medical or health benefits, including the prevention and treatment of disease. Such products may range from isolated nutrients, dietary supplements and specific diets to genetically engineered designer foods, herbal products, and processed foods such as cereals, soups and beverages. In the United States the term nutraceutical is commonly used in marketing has no regulatory definition.

Since the term was coined by Dr. De Felice, its meaning has been modified by Health Canada which defines nutraceutical as: a product isolated or purified from foods, and generally sold in medicinal forms not usually associated with food and demonstrated to have a physiological benefit or provide protection against chronic disease.

Hippocrates, an ancient Greek physician once said, "Let your food be your medicine and let your medicine be your food." In modern society it is truer than ever and is evidenced in the greater awareness of the importance of diet, nutrition, vitamins and supplements in human well being and leading a healthy life. The Nutritional Supplement industry is a vast and fast growing industry and is projected to continue to grow at a rapid annual pace running in the high single digits or low-double digit percentage category. **NGXL** has made significant progress in recent months towards attaining its goal of obtaining a market share in this **\$9 billion supplement industry**.

As time passes, Nutritional Supplements are becoming more and more commonplace. According to EMC, a leading researcher and publisher of intelligence about the Nutritional Markets, the industry is estimated to **be \$8.9 billion worldwide annually** and growing at a lofty **rate of 10% per year**. NGXL estimates that if they capture only 1% of the fitness market market, total sales will exceed \$40+ million per year. These are some key trends that investors should be aware of and are important in evaluating the industry's potential growth include the following:

The Nutritional Supplement industry is experiencing and will continue to experience significant increases in nutritional supplements, which are winning over our obese and over the counter drug ridden dollars. People are now turning to sports supplements for cutting-edge health on Fat Loss, overall well-being and Anti-Aging. The growth has been so radical in fact that supplements are now as of today an \$8.9 billion annual business - bigger than US domestic box office. This has led the FDA to step in and clamp down on harmful and deceitful companies and products.

The Food and Drug Administration took action in 2003 to help consumers get accurately labeled and unadulterated dietary supplements by proposing a new regulation to **require current good manufacturing practices (CGMPs)** in their manufacturing, packing, and holding. The proposed rule, for the first time, established standards to ensure that dietary supplements and dietary ingredients are not adulterated with contaminants or impurities, and are labeled to accurately reflect the active ingredients and other ingredients in the product. This proposed rule includes requirements for designing and constructing physical plants, establishing quality control procedures, and testing manufactured dietary ingredients and dietary supplements. It also includes proposed requirements for maintaining records and for handling consumer complaints related to CGMPs.

Americans required confidence that the dietary supplements they purchase are not contaminated and that they contain the dietary ingredients and the amounts claimed on the labels. Millions of Americans use dietary supplements, and authorities had to take the necessary steps to ensure people get the products they're paying for. Prior to this legislation, analyses of dietary supplements by a private sector laboratories suggested that a substantial number of dietary supplement products analyzed did not contain the amounts of dietary ingredients that would be expected to be found based on their product labels.

Nutralogix products carries a CGMP (good manufacturing process) stamp of FDA approval. The image of nutritional supplements has changed from the early days of use. With the amazing and rapid growth of modern technology and sciences, we have a better understanding of how our bodies work as well as herbs, vitamins and minerals. This allows us to live longer and healthier lives, and this includes everything from great tasting products to more active and enhanced results for the consumers. **As stated Americans are now looking at the nutrition industry for a healthier and safer product rather than a novelty need.** With the birth of the Internet and the information superhighway, today consumers are savvier than ever. With the highest rate of obesity ever in the history of mankind, NGXL values to meet these challenges by empowering its growth through honest product manufacturing, truthful marketing and proper scientific method applied in an analytical manner.

NGXL will generate in predicted revenues through confirmed agreements from domestic and international distributors and retailers in the **amount reaching \$6.3 million in annual sales by FY2007 and \$9.3 million in annual sales by FY2008.**

PRODUCTS & SUPPLEMENTS

TORCH-T

TorchT is an advanced thermogenic fat loss supplement that actually helps boost your metabolism. Imagine a product that is both safe and natural, that also deals with the main obstacle to losing weight—a slow metabolism. The most efficient method in ridding the body of stubborn fat is to naturally increase one's own metabolism. Torch is formulated with key ingredients that have been scientifically shown to have such metabolic boosting effects similar to that of Ma Huang.

TorchT addresses weight control from many different angles. Our product contains an extremely effective combination of thermogenic, diuretic and lipotropic ingredients. Torch's All-in-one comprehensive formula gives one results. Many patented ingredients are included in the Torch proprietary blend for many of its clinically substantiated research. Research should be the basis for any product R&D to insure effectiveness and greater weight loss results and also help in maintain one's ideal body weight.

NutraLogix Labs has ventured into a territory few supplement companies could imagine. Innovative research teams have developed- Dream-Tone, which is a **non-stimulant based thermogenic that is highly effective.** Beyond Dream-Tone's thermogenic properties, Dream-Tone was one of the first products to halt muscle catabolism that occurs during proper dieting.

NutraLogix Labs has tweaked the Dream-Tone formula into a Nighttime Thermobolic, which means the product induces the body into using fat for fuel instead of glycogen and protein while increasing thermogenesis at night. The product is designed specifically with women in mind that is looking to lose weight. Dream-Tone shifts the ratio of fat to carbohydrate for use as fuel towards fat burning. This helps preserve glycogen and skeletal muscle, which would otherwise be relied upon more heavily for fuel without Dream-Tone. By mobilizing fat, Dream-Tone will make even more fat available as a fuel source thereby, sparing more glycogen and muscle. Furthermore, the thyroid stimulating effect provided by Dream-Tone™ will further elevate RMR, leading to greater fat burning. This product retails for \$65.95.

DREAM TONE

Dream-Tone also has the capacity **to block cortisol**, which in turn will help preserve muscle tissue (**anabolic effect**) due to increased release of gonadotropins. This anabolic effect will up regulate cholesterol transport, which will keep hard gained muscle when dieting. Dream-Tone also produces a benzodiazepine-like anxiolytic effect that will undoubtedly **promote more restful sleep.**

Statistics reveal that we spend 33% of our lives sleeping. **Nutralogix** wanted to capitalize on all this time and has introduced a product that actually helps you burn fat while you sleep. Not only will you burn fat but you will also get a more restful sleep. **Nutralogix** appropriately named this impressive formula- **Dream Tone.** Think about this for just a moment-you take **Dream Tone**, your body begins to unwind and then favorable things start to occur. As you sleep, your body starts to relax, burn fat, enhance the immune system and it also increases human growth hormone (HGH) levels (decrease fat/cellulite, improve appearance of skin/decreases wrinkles, increases lean mass/bone density...).



Dream Tone Highlights:

- Helps You Unwind Before Sleep**
- Rids Your Body of Excess Calories From Fat**
- Promotes a Leaner, More Youthful Appearance**
- Wake Up Refreshed With Energy!**

Benefits of Dream Tone's Ingredients:

- **Vitamin B6-** a water-soluble vitamin that is essential for several functions of the body and acts as a coenzyme for protein synthesis. It also produces important brain chemicals. Vitamin B6 may prevent depression through its ability to produce serotonin, help promote healthy skin and the formation of antibodies and is required for the growth and maintenance of many bodily functions.
- **Chromium-** an essential trace mineral that helps with weight/fat loss and helps with increasing lean tissue. It may also help with lowering cholesterol.
- **GABA-** is a powerful, naturally occurring amino acid that is critical in proper brain function and that provides many other benefits including: it calms and relaxes the mind and body, improves brain function and mental clarity, improves sleep, decreases pain from chronic conditions such as arthritis, increases Human Growth Hormone (HGH) levels, which in turn strengthens the immune system, decreases bodyfat and cellulite, decreases wrinkles/improves the appearance of skin, increases lean muscle mass and bone density and improves sexual performance.
- **Bacopa Monnieri Extract-** a plant with antioxidant properties that enhances memory and improves mental clarity, combats free radicals, improves cognitive function, improves protein synthesis, supports processes involved in relaxation and provides tranquilizing effects. It also reduces the effects of stress and anxiety.
- **Green Tea Extract-** a natural antioxidant and anticarcinogenic that fights free radicals, enhances weight loss, reduces cholesterol and triglycerides, stimulates the immune system, increases thermogenesis and suppresses appetite.
- **Cassia Novae Extract-** a plant extract that inhibits fat from being absorbed into the bloodstream, thereby decreasing the likelihood that fat will be stored. This extract also strengthens the functioning of the stomach, aids digestion, stimulates the circulatory system and is thought to lower cholesterol/blood pressure and decrease edema (swelling).
- **L-Theanine-** is a free amino acid found only in tea and a specific species of mushrooms. L-theanine is a relaxant that has been shown to assist with weight and fat loss. It can also help lower cholesterol/blood pressure, alleviate stress/anxiety, provide neuroprotection, antioxidants and decrease symptoms of PMS. L-theanine also has anticarcinogenic effects and boosts immune system function.
- **Coleus Forskohlii Extract-** extract obtained from the herb Coleus Forskohlii that can be used for its fat burning capabilities and assisting with lowering blood pressure. This extract also has cardiovascular benefits and can assist with weight loss.

This product retails for \$60.95 and is the flagship product in the line of NGXL products.

PLATINUM G

This product is an around the clock anabolic supplement that the company is tweaking and is available at a retail price of \$87.95.

RECENT DEVELOPMENTS OUTLOOK

The Company has received increased attention within the nutraceutical community because of its commitment to growth in the international markets, which have been underdeveloped by the industry. Interest in nutraceutical products and their ability to help slow the aging process and develop and re-develop tissue and muscle is increasing throughout the world. Nutralogix recognizes this trend that is unfolding and hence it is pursuing a comprehensive international expansion campaign into both Asia and Europe, starting in the UK.

Its commitment to international growth is absolute, and NGXL is in the process of opening offices in Asia, along with the necessary local manufacturing and distribution facilities in order to more efficiently bring its products to market. On September 29, 2006, NGXL announced that at least three members of its executive team will spend much of November in multiple Asian countries, opening the first of its Asian offices. The Company expects to visit at least six of the countries in which it will open offices. Sales and marketing will originate from Company headquarters; however, a regional sales and marketing team will be developed to service the unique needs of the market. Initial revenues from Asian sales are expected to begin to book either before the end of the final quarter of 2006 or, at latest, in the first quarter of 2007. The company has very high expectations from its 'Team Asia,' and believes that the team leader and spokesperson for that market, Michael Ball is doing an excellent job facilitating the initial steps in developing this market. The Company recognizes the **need for multiple locations** and a **special e-commerce site totally focused on languages** such as **Thai, Korean, Chinese, and Japanese to properly serve this market.**

See Appendix A-I for Analyst Certification and Important Disclosures.

The company believes that it will have a strong foothold in the Asian market in 2007, which will continue to strengthen and become a powerful revenue stream to fuel the growth of Nutralogix. Nutralogix executives believe that Asia will become one of the most important markets in the world for nutraceuticals, based on the strong development of orientation towards sports, health, fitness, anti-aging, and martial arts regimens in Asia. Nutralogix appears to have a great advantage over its competition in the Asian market, including the fact that Ms. Kris Chin, COO of Nutralogix, is Asian-American. Expectations run high that the company will be shipping tremendous product volume into the Asian market, hence its commitment to build manufacturing facilities for our products on location, along with fulfillment facilities to aid in its product distribution.

Nutralogix announced earlier this month **initial agreements with 9 distributors** to cover the **United Kingdom**, representing the Nutralogix product line of nutraceuticals. The U.K. expansion is regarded as a major component of the international development of the Company's sales and marketing. Facilitated by comparable product labeling and laws governing nutraceuticals, the Company expects these relationships to rapidly result in significant revenue streams from the U.K. The U.K. is also regarded as the first major step in developing the entire European market. The U.K. will be its first foothold in its plan to cover the entire European continent with its product line, which NGXL hopes will be **essentially in place by the end of the second quarter of 2007**.

Nutralogix Laboratories, Inc. reached an agreement with Palm Beach Rejuvenation Center in late July 2006, for Palm Beach to use and market Nutralogix products, along with joint marketing, which could result in **additional revenues for the Company that could reach or even surpass the \$2 million level**. Palm Beach Rejuvenation center is nationally and internationally known as one of the largest and finest Hormone Replacement and Age Management Clinics in the United States. Palm Beach maintains a state-of-the-art clinic, along with a large active client base, sales over \$11 million yearly and growing, and an advertising budget for the internet alone, which exceeds \$600,000 per year. The licensed clinic also maintains a major compounding pharmacy. The alliance speaks highly for the quality of product produced by Nutralogix, far beyond the normal standards of the supplement world. Furthermore the company is launching a new line of NGA endorsed products in Q4 FY2006.

FINANCIAL STATEMENTS

The company **has not published or released any audited or un-audited financial results to date or made any SEC filings**, which restricts our ability to assess the financial health and performance of the company, and limits our ability to make more informed and reliable forecasts about solvency, capital structure and liquidity, amongst other issues. The company has however disclosed pro-forma figures relating to the income statement that allows us to make assess and observe prospects on margins, sales and profitability for the remainder of FY2006, FY2007 and FY2008. The company has a December 31st year-end date.

In July the company projected **FY2006 Q3 revenues** to reach or **exceed the \$1 million mark** for the first time in its corporate history. Rising e-commerce sales, which should be further fueled by initial international sales and new sales through the company's distributors are expected to bring company revenues to these levels sooner than previously projected. By early September, the Company was able to develop projections for its fourth quarter, based on the early international sales and what is expected to be burgeoning sales initiated by the major distributors. We provide revenue, gross profit and net profit details for FY2006 below. Similar forecasts can be found on the table on page 1 of this report for FY2007 and FY2008. This Pro-forma Income Statement for FY2006 shows FY2006 earnings per share expected to come in at 15.7c. **(SEE PAGE 6)**

We have relied heavily on this number for purposes of determining our near term valuation and setting a 12 month target price which is discussed in the final section of the report. If the company reports a number that deviates substantially from this amount, it will cause the share price to either surpass our target price or fall short of it. Management is confident of achieving the business plans, which have been described in the report. As such, we have assumed that the Company will achieve its targets. As this is a major assumption, and if the Company fails to achieve its own targets, its intrinsic worth can fall significantly below the current market price.

On July 27, 2006 the Company announced it retained Red Mountain Consulting Group of Colorado to initiate the process of Nutralogix becoming fully-audited, and hence a fully-reporting company. The Company executive team and Board of Directors took this step in order to provide complete disclosure to existing, new, and future shareholders. Nutralogix is aware that in order to achieve complete acceptance in the public markets, it must become a fully-reporting corporation and the auditing at Pollard-Kelley and Red Mountain Consulting will allow it to properly take that first vital step.

As soon as these audits are completed, the company will proceed with all necessary and proper filings. This illustrates a clear aspiration of eventually joining one of the larger national exchanges.

Nutralogix Laboratories, Inc.
Pro Forma - Income Statement Figures for FY2006
(Income Year-to-Date)

REVENUES	
1st Quarter	600000
2nd Quarter	1200000
July(Estimate)	150000
August(Estimate)	200000
September(Projected)	300000
September(Projected)	400000
September(Projected)	600000
September(Projected)	400000
Total Revenues	3850000
Cost of Goods Sold	1500000
Gross Profit (Estimate)	2350000
Operating Expenses (Estimate)	1260000
Net Income (Estimate)	1090000
Weighted Average number of Shares Outstanding (millions)	6.926
<i>Earnings per Share (EPS)- estimate</i>	15.7 (In US cents)

Financial statements and reporting plays a vital role in setting and selection of our investment rating. Due to our ratings and selection criteria, companies that have not provided financial Statements are unable to be classified in a category higher than SPECULATIVE NEUTRAL RATING, irrespective of other possible overriding bullish factors that may influence or justify a higher rating. This is the case for Nutralogix also. Reader should however not ethat once the company becomes fully reporting and assuming the company does have sufficient funding and liquidity, our rating would be changed from SPECULATIVE NEUTRAL to SPECULATIVE STRONG BUY RATING based on the percentage appreciation potential between the current price and our 12 month target price, ceteris paribus.

Other noteworthy financial and per share statistics are listed in the table found on page 1 of this report.

Liquidity and Capital Resources

No information was readily available to enable us to review the cash and cash equivalent position of the company at the time of writing of this report. It is uncertain if the **company has sufficient resources and is covered to conduct its operational and/or expansion plans and finance further R&D efforts and product promotions earmarked in the coming year.** We believe management will manage the existing resources in a prudent fashion, to maximize its development and technology efforts in the best possible way to manage shareholder capital. The company enjoys funding support from many athletes and clientele but it may need to enter discussions with investment banks to raise further capital needed to reach its medium and long-term goals.

RISK FACTORS /CONCERNS

The longer-term consistency of revenues and profit potential, remain uncertain and future operating results may continue to fluctuate. The company's ability to execute against its stated business model is not yet fully proven. There can be no assurance that the company will be able to generate increased revenues through co-marketing agreements and other revenues related to its nutraceutical and supplement products. NGXL may experience cash flow or liquidity issues as it continues to develop and market its business. If cash generated by operations is insufficient to satisfy the company's liquidity requirements, the company may be required to sell additional equity or debt securities.

The company has **heavy reliance on key executives**, the loss of which could have adverse results. The company has produced and sold only a small amount of products to date and is dependent upon only a few product lines and on the development and commercialization and introduction of new products to build brand image and capture market share. NGXL is also **dependent on independent distributors**, which could affect its ability to efficiently and profitably distribute and market its products and expand its business into other geographic markets. The company may need to alter its current agreements with its distributors, and may incur significant time and expense in attracting and maintaining key distributors.

See Appendix A-I for Analyst Certification and Important Disclosures.

NGXL faces an **inherent risk of exposure to product liability claims** if the use of its proposed products results in illness or injury. If the company does not have adequate insurance or contractual indemnification from its manufacturers, product liability claims could have a material adverse affect on its business. Manufacturers and distributors of supplement and nutraceutical products and are sometimes named as defendants in product liability lawsuits. The company **is highly dependent upon consumer perception of the safety, quality and other benefits of its products**. As a result, substantial negative publicity concerning a specific drink product or the packaging of such drink or of products seen to be similar to the company's products could lead to a loss of consumer confidence in its products, removal of those products from retail shelves and reduced sales and prices. Reliance on laws covering trademark rights, U.S. federal registration rights and trade secret laws to protect its product formulations may not be sufficient to protect this intellectual property and could have a material adverse effect on its competitive position.

Ingredients and raw materials used in fabricating products may be subject to delays, limited availability due to manufacturing downtime or other conditions. Such developments can result in uncertain costs resulting from shortages that can negatively impact on financial results.

The health and fitness supplement industry is subject to changing consumer trends, demands and preferences. Failure of the company to anticipate, identify or react to changes in these trends could lead, among other things, to reduced demand and price reductions. NGXL is **principally dependent on the expertise of its management team** and dedicated employees, the loss of which could materially adversely affect future anticipated operating and financial results.

The current liquidity and financial information are not presently disclosed. The current cash position is likely insufficient to fund extensive R&D efforts, and if insufficient operating cashflow is generated in FY2006 it may hurt or limit the company's expansion plans. Despite the positive sales trends and strong demand signal seen in recent months for NGXL's offerings, competition remains fiercely competitive, and NGXL faces opposition from larger and better-funded rivals. Increased competition could result in revenue goals not being achieved and lower penetration of target markets that will defer international expansion plans, fewer shipments, reduced revenues and margins, any of which could materially and adversely affect Nutralogix Labs, Inc. business, financial condition and results of operations.

Nutralogix Labs, Inc. has to ensure it complies with all stipulations of the **Dietary Supplement Health and Education Act (DSHEA)**. It requires that a manufacturer or distributor notify FDA if it intends to market a dietary supplement in the U.S. that contains a "new dietary ingredient." The manufacturer (and distributor) must demonstrate to FDA why the ingredient is reasonably expected to be safe for use in a dietary supplement, unless it has been recognized as a food substance and is present in the food supply. There is no authoritative list of dietary ingredients that were marketed before October 15, 1994. Therefore, manufacturers and distributors are responsible for determining if a dietary ingredient is "new", and if it is not, for documenting that the dietary supplements it sells, containing the dietary ingredient, were marketed before October 15, 1994. For more detailed information on new dietary ingredients, go to: <http://www.cfsan.fda.gov/~dms/ds-ingrd.html>.

The business of NGXL is a function of the level of consumer spending in the economy and could also be affected by the seasonal tendencies such as during Summer when people tend to be more active outdoors and during the turn of the calendar year when many people make New Years resolutions to lose weight and exercise. Interest rate shocks or sharp unforeseen slowdown in the overall economy, a steep decline or erosion in consumer confidence can lead to lower consumption and weak demand for health and fitness related products and hence translate into weak revenues for the company.

Trading in the shares will continue to be subject to major fluctuations for the foreseeable future. The stock is thinly traded at prices below \$1.00 and selling of small positions could have a negative impact on the share price in absence of sufficient liquidity. The reverse is true if one or more large investors decide to acquire a block of NGXL shares that would result in demand outstripping supply and result in an upward squeeze in the price given **the low liquidity and daily trading volume**. **We caution that historical volume activity on NGXL has been erratic, but we are unable to forecast the direction of trading volume with any degree of certainty in the future.**

Major dilution of common stock can occur if company issues large blocks of common stock or stock options/warrants (should they exist) are exercised into common stock, that can negatively impact on the value of the shares either theoretically or if sold in the open market. In the event that such holders of preferred stock, warrants and options exercise their conversion rights, the holders of the common Stock then issued and outstanding may experience immediate and substantial dilution in the net tangible book value of their shares if earnings and other factors do not compensate for the increased number of shares of such common stock.

NGXL's common stock is listed on the OTC Pink Sheets. NASD and SEC Regulations covering rules on Penny Stocks apply for NGXL, subjecting NASD broker-dealers to additional sales practice and disclosure requirements.

Further elaboration on these above-mentioned and other risk factors are likely to be contained in future **SEC filings**.

MANAGEMENT TEAM

The senior management team at Nutralogix Labs, Inc. consists of seasoned professionals with extensive experience in business development, management, and operations in the nutraceuticals and health and fitness industry.

Troy Johnson – President & CEO

Mr. Johnson has over a decade of experience in the industry and has worked with all the best, the most prominent and high profile people in the industry. He has worked in and experienced many facets and aspects of the market and has in-depth knowledge of products available for athletes, bodybuilders that is used in training to increase performance, appearance etc. Mr. Johnson has many valuable and influential relationships in sales, marketing and distribution of sports supplement products and nutraceuticals that will bring tremendous benefit to the company.

Michael Ball – Head: Nutralogix Asia Division

Ms. Kris Chin – COO

INVESTMENT THESIS AND RECOMMENDATION

Our analysis suggests that Nutralogix Laboratories, Inc. is an interesting speculative play among micro-cap companies offering exposure to the investor on a fast growing segment of the health and fitness markets pertaining to nutraceuticals and supplements. Nutritional Markets, the industry is estimated to be \$8.9 billion worldwide annually and growing at a rate of 10% per year. NGXL estimates that if it captures only 1% of the fitness market, its total sales would exceed +\$40 million per year. The investor enjoys the added benefit of being able to partake in an opportunity to invest in a company that has already taken the preliminary steps to lay firm foundations in terms of research and product studies and cementing numerous distribution relationships for what appears to be rapid growth ahead. Moreover, the company has distinguished itself from its rivals by creation of a competitive edge via its unique proprietary supplements, especially Dream-Tone that is truly a breakthrough formulation.

Thirdly, the Company is moving rapidly and developing great strategic alliances in our international expansion. Our investment thesis for Nutralogix is that it will be able to: (1) develop positive product differentiation through its creative innovation; (2) energetically promote this product perception; and (3) effectively market to wholesalers, retailers, and end consumers. These are the three steps that Nutralogix will have to accomplish to become an outstanding success story. The company's CEO and his associates is duly committed continue to work hard to make Nutralogix a notable corporate triumph and thereby provide major investment returns to their shareholders. NGXL's unique supplements has great marketability, not only because of its innovative formulations, but because it addresses a clear need in the health, weight-loss and fitness markets for athletes and serious sportsmen and sportswomen with intense training programs to the average person that is just looking to tone or improve his/her physique and energy levels etc. The company is seeing increased interest from its distributors. This clearly demonstrates the enormous growth potential of its products in the channel, which is particularly encouraging as the company begins to prepare to launch at least 3 brand new products in late fall and in winter to complement and diversify its existing offerings. The nutraceutical sector is experiencing substantial growth and we believe Nutralogix Labs can capture a significant share of that market. Current business activity is providing a real validation that its proprietary supplements is generating consistent retail sales within its category.

Both operating and financial risk involved in investing in a young drug related company is typically high and should be considered by investors. In this case the risks are tied mainly to uncertainty surrounding the speed and efficacy of adoption of its products through co-marketing and distribution agreements and the anticipated success and ability of the company to achieve a high level of market penetration and building of consumer awareness. Readers should understand that there can be no assurance that the company will be able to fast-track its intended path towards clinching large orders for its novel supplements and hence maintain current revenue streams and lift the pace of revenue growth experienced recently, that will flow through directly to the top and or bottom line to build a consistent longer term profitable track record to enrich shareholder value.

We therefore only recommend investors that have a high tolerance for risk that are able and willing to forfeit either most or all of their capital in search for extraordinary returns, to consider investing in the shares. Also, in our view investors willing to commit capital to NGXL should do so with absolute minimum 2 year investment horizon, but preferably longer, to allow ample opportunity for growth to emerge until broader price discovery can materialize within the investment community that will allow the value behind NGXL's innovative sports supplements to be unlocked as new agreements and co-marketing deals come to the fore and the company grows further through launch of complimentary products and expansion in new geographic areas on international front.

Short term we expect that the price of NGXL may tread water from a technical point of view. We see lack of financial disclosure as factor that is a negative overhang on the performance of the stock, which may inhibit price appreciation, until it is resolved. We expect that the company will release financial statements in the coming 12 months, following a full audit, to address this issue. We believe NGXL can manage its organic growth and geographic rollout strategy and deliver solid financial and operational performance in FY2007, that when coupled with improved disclosure will ultimately lead to re-rating of the stock.

Recent news flow from the company has been very positive `` The company will provide international consumers of its nutraceutical product line with an advanced multi-language e-commerce site with product information and ordering instructions in at least four languages. The Company expects the ability for international clients to order in their native languages to significantly increase revenues from Europe and Asia, along with making the ordering process far more efficient.

In the last few years, many supplement industry stocks and related companies have done extremely well. Past performance of peer companies with successful nutrition and nutraceutical brands have been highly satisfying and investors in these companies have been handsomely rewarded of late. If the company were able to capture only a small percentage of market share in its target market, it would lead to a steep upward leap in the market capitalization of NGXL. Given the size and scope of the opportunity that exist for NGXL in the supplements area on a international level as people begin to turn to professional fitness supplement products to combat weight-gain and achieve other physical goals. We regard the current market capitalization of less than \$2 million as exceptionally modest and undemanding.

The supplement industry has been growing rapidly in the U.S. and internationally. Depending on how you classify "dietary supplements," sales have reached at least \$14 billion in the U.S. Public companies like Martek Biosciences (Nasdaq: MATK), Nutraceutical International (Nasdaq: NUTR), American Oriental Bioengineering (AMEX: AOB), and NBTY (Nasdaq: NTY) produce dietary supplements, along with numerous private companies.

Investors often come to believe that a stock is undervalued or overvalued compared to other stocks in its industrial group. Peer comparisons reveal investors assigning price to sales multiples anywhere from 1.1 to 4.5 times and 12-month historic PE ratios around 11x. We believe that a Price to Earnings ratio of near 8.9x FY 2006 EPS of +15.7c is appropriate for NGXL common stock at this point of the company's life cycle. We have applied a discount to the PE rating of NUTR to allowing for an OTC issue and added risks of a small start-up concern. As the company grows and achieves more of its milestones we expect this discount to taper of and deflate. We anticipate NGXL to be able to achieve a market capitalization of \$9 million in the coming 12 months, which represents a 5-fold increase over the present valuation.

Valuation using the industry's current multiple (P/E):

	Forward PE multiple	EPS Growth	PEG Multiple	Forward Price	Discount Rate (k)	Present Value
FY 2006 EPS	0.157	8.9		1.40	16.4%	1.30
Average						1.30

	Assumptions
Price to Book	NA
Price to Sales	NA
Current PE	NA
Forward PE (FY 2007 EPS)	0.43
EV	NA
LT Debt/Equity	NA
Current Ratio	NA

Beta	1.40
R _f	4.50%
R _m	13.0%
k	16.4%

$$k = R_f + (R_m - R_f) * \text{Beta}$$

We believe NGXL has a unique line of products has the ability to revolutionize the industry. The interest that the company has received to date from substantial global players reinforces that the company has a winning product that is the next generation of supplements in demand in the marketplace.

Given managements comments, information contained in news releases and our own independent forecasts, we are of the opinion that revenue potential of over \$6 million and \$9.5-\$10 million is achievable for FY 2007 and FY 2008 respectively, which represents very high topline growth that deserves a second look. Under the assumption that the company can successfully bring new R&D product ideas to market and making allowance for profitability that would likely stem good cost controls and effective management, we believe FY2007 net earnings in a range of \$2.2 to \$2.4 million will be quite feasible.

We believe that the company can be valued using a PE approach. Due to the lack of financial metrics to allow us to use historic numbers and hence forecast net earnings, cash flows or book values, we have decided to implement and rely on management guidance of present sales trends seen and expected future revenues to arrive at a value that is useful while full financial statements and history remain absent from our analysis.

Using the our FY2006 net income estimate range and applying a 8.9x P/E ratio, which is taken as a benchmark from the fellow listed supplement sector entities, and applying a 20% discount to this PE proxy, we arrive at a market valuation of roughly \$9 million or \$1.30 per share, which is our 12-month target price.

Under these assumptions we initiate coverage on NGXL with a SPECULATIVE NEUTRAL rating.

The reader should note that the absence of financial statements plays a vital role in setting and selection of our investment rating. Due to our ratings and selection criteria, companies that have not provided comprehensive financial information are unable to be classified in a category higher than SPECULATIVE NEUTRAL RATING, irrespective of other possible overriding bullish factors that may influence or justify a higher rating or our target price that reflects our view that the stock has meaningful upside potential. Once NGXL becomes fully reporting and files financial results with the SEC or issues public financial results, we expect to change our rating from SPECULATIVE NEUTRAL to SPECULATIVE STRONG BUY to reflect the vast upside price appreciation potential we believe exists for Nutralogix.

Risk to our recommendation include amongst other failure to invigorate consumer awareness, low penetration of markets, slow restocking by major retailers, timing delays in implementation of NGXL product rollout on both regional and nationwide level and or unforeseen delivery, shipment or production problems from 3rd party manufacturers. Also, any inability to obtain necessary financing from capital markets when needed, to continue its business projects and/or major share dilution that can occur, if large quantities of shares are issued to extinguish debt or paid for services, are some additional factors that will counteract price appreciation potential or cause shares to decline in value.

Added risk factors that could adversely affect the attainment of our share price target include: general economic conditions and a variety of factors that is outside the control of the company, risk to a steep decline in consumer spending and interest rate or mortgage rate shocks that diminishes discretionary spending, amongst others that results in reduced consumer confidence. Reduced spending budgets by NGXL customers caused by an unanticipated industry or economic downturn or a major contraction in nationwide supplement, nutraceuticals and fitness industries in general, albeit unlikely can lead to soft demand for products and services, which can resulted in decreased revenues, earnings levels or growth rates.

We would caution that given the size of the company (nano-cap) and risks involved, overall we advise positions be limited to under 5% of the client's total portfolio size. Readers are encouraged to also look at the section in this report discussing risk factor in greater detail, which is on page(s) 6 and 7 of this report.

**ANALYST CERTIFICATIONS****APPENDIX A-1**

The research analyst, who upon request wrote this report, certifies that the views expressed in this research report, accurately reflects his personal view about the subject company. The analyst also certifies that he does not own or have any beneficial interest in shares of the covered company, also that no part of his compensation was, is or will be directly or indirectly related to the specific recommendation or view expressed in this report. Tri-State Capital received \$7,000 in compensation for work on the subject company from a third party.

Based on the facts that were provided, the industry trends present and sources of information used to produce this report, it is my best opinion and reflection of what the companys rating and share appreciation potential could be once research coverage is widely adopted. Investors are urged to consider this report as only a single factor in making their investment decision. Information, opinions or recommendations contained in this report or research note are submitted solely for advisory and information purposes and we also do not accept any obligation to provide updates to this report in future.

Clients of the analyst firm collectively own less than 1 percent of total shares outstanding of the issuer. For securities recommended in this report the firm is not a market maker, but may from time to time provide bids and offers and may act as principal in connection with such transactions to facilitate trading liquidity or execution. The firm of the analyst does not actively seek to do investment banking business with the company covered in this research report. This independent analysis and judgment relies on material supplied by the subject company and other sources, such as SEC filings believed to be reliable. The analyst that prepared this report cannot guarantee the information contained herein for accuracy or completeness.

All information contained in this report is subject to change without notification. The information contained in this report is not intended to be, and shall not constitute, an offer to sell, nor solicitation of any offer to buy, any security. Investors are advised to consult their personal broker or investment advisor before making any decision concerning the subject company. Investors are also urged to do their own due diligence. In our opinion, only high risk-oriented investors who can risk the loss of their entire investment should even consider a commitment to the covered company.

All readers are urged to peruse SEC documents relative to the subject company before making any investment decision. No reproduction of this report is permissible without the consent of the writing analyst. All rights reserved.