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Dear Shareholder,

I am comfortable in stating that BIOQUAL's fiscal year, with a relatively minor 2% decrease in revenue, demonstrated stability during a period of national economic stress. The Company effectively maintained profitability with \$.45 basic earnings per share, only a 3.5% decrease in net income compared to the previous fiscal year. BIOQUAL's cash position remains strong and total stockholders' equity increased by 2.1% in fiscal year 2011. For a more in depth discussion relating to the fiscal year 2011 results, please visit our website at www.bioqual.com.

BIOQUAL's Board of Directors declared a cash dividend of \$0.16 per share for shareholders of record on September 21, 2011, payable at close of business on October 12, 2011. This is the twelfth dividend declared by BIOQUAL, and the 8th consecutive annual dividend.

On November 15, 2010, the Board of Directors promoted Dr. Mark Lewis to President of the Company. I shall continue as the Chief Executive Officer and Chairman of the Board.

BIOQUAL is continuing to provide quality research, development and consulting services to Government, university and commercial contract clients. As I mentioned last year, there have been some changes in the Government's approach to contracts for laboratory and animal research. Historically, BIOQUAL's government contracts have typically been cost plus fixed fee multiyear agreements. These generally supported continuing laboratory and animal research for Government investigators. Labor and material utilization were predictable, with protocols and needs being balanced to the contracted levels. In recent procurements, master contracts calling for "Indefinite Delivery/Indefinite Quantity" (IDIQ) task orders are being solicited. The Company submits qualifications and labor rates for on these master contracts. The Government then selects one or more contractors which are eligible to submit proposals for specific task order requests subsequently solicited by the Government. In fiscal 2011, the Company was awarded four task orders totaling \$1,877,777 under a National Institutes of Allergy and Infectious Diseases IDIQ contract. On May 24, 2011, BIOQUAL was awarded an IDIQ contract with the Department of Health and Human Services which approved bidding on tasks under a five year master contract guaranteeing a minimum of \$50,000 revenue by year five and a maximum limit of \$7,500,000. Also in May, the National Institute of Allergy and Infectious Diseases awarded BIOQUAL a seven year master contract guaranteeing a minimum of \$25,000 revenue by year seven with a maximum limit of \$25,000,000. A task order was recently awarded under this master contract for \$42,264.

In my 2010 letter, I discussed BIOQUAL's exploration of a new thrust into commercial analysis of endocrine disruptors. The Environmental Protection Agency (EPA) had established the Endocrine Disruptor Program (EDSP) and BIOQUAL, through its 19 years of evaluating potential contraceptive compounds had developed a number of assays that are useful in endocrine disruption analyses. BIOQUAL repeated selected assays proposed by the EPA exactly to EPA protocol specifications as well as evaluating in-house protocols that may be more effectively used for end results. Evaluation of the potential timing for business in this sector led management to downsize the effort, but maintain the capabilities for a future market. A request for proposal was issued by the EPA titled "Endocrine Disruptor Screening Program Laboratory Assay Validation Studies and Technical Support," and BIOQUAL submitted its proposal on June 6, 2011. This was for a contract to obtain laboratory assays and related scientific technical support services to support the EPA Office of Science Coordination and Policy (OSCP). It was to be a "Multiple Award Indefinite-Delivery Indefinite-Quantity" contract with fixed labor rates for services. Work to be performed under this contract would be ordered through task orders placed pursuant specific ordering procedures. BIOQUAL was awarded a contract along with two other contractors on September 30, 2011. BIOQUAL's contract is for a maximum of \$14,033,551.00 over a five year period with a minimum of \$100,000 per year.

BIOQUAL's web site has recently been upgraded to provide more detailed information regarding the Company's activities, capabilities, news and financial information. BIOQUAL stock (BIOQ or BIOQ.PK) is quoted on the pink sheets and can be found by logging on to: www.pinksheets.com and using the symbol BIOQ.

Statements herein that are not descriptions of historical facts are forward-looking and subject to risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors including risks related to the ability of the Company to continue to extend government contracts and obtain new government contracts or commercial contracts; the Company's ability to perform under its contracts; uncertainties relating to clinical trials; dependence on third parties; the Company's ability to contain costs; and future capital needs.

Sincerely,

John C. Landon, Ph.D.

CEO/COB

October 19, 2011