



October 6, 2016

Dear Shareholder,

BIOQUAL completed fiscal year 2016 (June 1, 2015 to May 31, 2016) with an increase in net income of \$971,939 to \$2,878,367 (\$3.22 basic earnings per share) from \$1,906,428 (\$2.13 basic earnings per share) in fiscal year 2015. The increase in revenues of \$4,124,627 to \$33,060,341 from \$28,935,714 in fiscal year 2015 represents a 14.25% increase while the \$971,939 increase in net income represents a 51% increase.

BIOQUAL's productive fiscal year 2016 can principally be attributed to a 32% increase in revenues in government contracts and a 7.5% increase in revenue from commercial clients. Major factors in BIOQUAL's fiscal year 2016 growth in operating income include: continued growth of BIOQUAL's commercial services, with attendant higher profit margins; and one-time recognition of income on certain government contracts. For more information related to our financial statements, please visit our web site at www.bioqual.com and click on Financials/Press.

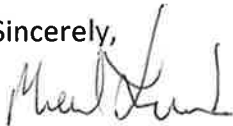
In February 2014, BIOQUAL acquired the *in-vivo* models operations of ABL, Inc. This acquisition included assumption of a long-term facility lease, providing BIOQUAL a 46% increase in study capacity. The additional capacity has allowed BIOQUAL to continue to actively pursue current and emerging opportunities that require capability for *in-vivo* evaluation of the efficacy of a number of vaccines and therapeutic treatments for infectious agents and parasitic diseases. A new focus area for BIOQUAL has been the development of Zika *in-vivo* models to test both therapeutics and candidate vaccines. We have been actively involved with government and commercial clients to rapidly test vaccine and therapeutic approaches in this fast moving epidemic. BIOQUAL scientists have recently helped to publish three peer reviewed articles in two top tier journals, Science and Nature Medicine. These articles characterized Zika animal models and also successfully tested four potential vaccine candidates. We have also continued to the expand our activities involving the development of models for the testing of new and improved vaccines and therapeutic strategies by both commercial and government entities for other infectious diseases in humans, including HIV, influenza, respiratory syncytia virus (RSV), Chikungunya, Dengue, Ebola and malaria. Finally, we have recently completed a move of our administrative offices and our *in-vitro* laboratory support services to a new, renovated facility in

Rockville, Maryland, which has allowed for continued expansion of our *in-vitro* assessment capabilities.

BIOQUAL's Board of Directors declared a cash dividend of \$0.45 per share for stockholders of record on October 5, 2016, payable at close of business on October 26, 2016. This is the sixteenth dividend declared by BIOQUAL.

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 relating to the ability to continue to extend current government contracts and obtain new contracts; the Company's ability to obtain new commercial contracts; the performance of the business acquired in the ABL acquisition; the Company's ability to perform under its contracts in accordance with the requirements of the contracts; the actual cost incurred in performing the Company's contracts and its ability to manage its costs; dependence on third parties; future capital needs; the ability to fund its capital needs through the use of its cash on hand and line of credit; and the future availability and cost of financing/capital sources to the Company.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark G. Lewis". The signature is written in a cursive style with a large, prominent initial "M".

Mark G. Lewis, Ph.D.

President and CEO