BIOQUAL, Inc.

September 27, 2017

Dear Shareholder,

BIOQUAL completed fiscal year 2017 (June 1, 2016 to May 31, 2017) with an increase in net income of $1,084,761 to $3,963,128 ($4.44 basic earnings per share) from $2,878,367 ($3.22 basic earnings per share) in fiscal year 2016. The increase in revenues of $3,542,634 to $36,602,975 from $33,060,341 in fiscal year 2016 represents a 10.72% increase while the $1,084,761 increase in net income represents a 37.7% increase.

BIOQUAL's productive fiscal year 2017 can principally be attributed to a 10% increase in revenues in government contracts and an 11.4% increase in revenue from commercial clients. The major factor in BIOQUAL's fiscal year 2017 growth in operating income is the continued growth of BIOQUAL's commercial services, with attendant higher profit margins. For more information related to our financial statements, please visit our web site at www.bioqual.com and click on Financials/Press.

This year BIOQUAL completed the three year contingent consideration period pursuant to the Asset Purchase Agreement executed for the acquisition of the *in-vivo* models operations of Advanced Bioscience Laboratories, Inc. (ABL) without having to make any payments in excess of the initial $3,500,000 purchase price. The funds set aside for potential payments to ABL can now be used to upgrade some of the aging essential equipment in our laboratories and lab animal areas. Along with the funds generated by our profitable operations, the savings also enabled us to increase our dividend to $0.60 per share, which is a 33% increase over our last declared dividend. The ABL acquisition provided BIOQUAL a 46% increase in capacity and has allowed us to quickly move into new areas of research such as testing of potential vaccines against Zika virus. The additional capacity has also allowed BIOQUAL to continue actively pursuing 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. Over the last year and a half, our focus on Zika virus in-vivo models has generated a significant boost in revenue. We have been actively involved with federal government and commercial clients to rapidly test vaccines and therapeutic approaches for this epidemic. BIOQUAL scientists have helped to publish six peer reviewed articles in highly regarded scientific journals during this period. This research helped development Zika virus animal models and also detailed successful testing of five vaccine candidates which have now moved into clinical trials. We have also had success in expanding our activities in other infectious disease models, influenza, respiratory syncytia virus (RSV), Chikungunya, Dengue and malaria, while maintaining our successful HIV research programs.

BIOQUAL's productive fiscal year 2017 can principally be attributed to continued interest in animal models utilization by government, universities and commercial entities. BIOQUAL believes that is likely to continue into the 2018 fiscal year.

BIOQUAL's Board of Directors declared a cash dividend of $0.60 per share for stockholders of record on September 20, 2017, payable at close of business on October 11, 2017. This is the sixteenth dividend declared by BIOQUAL.

Sincerely,

Mark G. Lewis, Ph.D.

Chairman, President and CEO

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; continued demand for the use of animal models in scientific research; 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, including its capital expenditures; 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.