



October 18, 2018

Dear Shareholder,

BIOQUAL completed fiscal year 2018 (June 1, 2017 to May 31, 2018) with a \$301,058 decrease in net income from \$3,963,128 (\$4.44 basic earnings per share) in 2017 to \$3,662,070 (\$4.10 basic earnings per share) in 2018. The \$718,010 decrease in revenues to \$35,884,965 from \$36,602,975 in FY 2017 represents a 1.96% decline while the \$301,058 decrease in net income represents a 7.6% decline.

The decrease in revenues in FY 2018 can principally be attributed to a reduced level of the company's research and testing related to the Zika virus as compared to FY 2017 and the successful completion of a National Institutes of Health (NIH) task order for respiratory syncytia virus (RSV) vaccine studies. The change in Zika related revenue was mostly due to the very successful outcomes in vaccine testing during FY 2017 and the near complete disappearance of the disease globally. During FY 2017, we successfully tested five Zika vaccine products. Even with the absence of these revenues in 2018, we continue to grow our other programs and see continued interest in our lab and animal model systems. During FY 2018, we continued to see growth in commercial services contracts and new disease models. For more information related to our financial statements, please visit our web site at www.bioqual.com and click on Financials/Press.

During FY 2018, we had significant growth on our commercial contracts, which included work with a number of major drug and vaccine manufacturers. Our current sources of work continue to shift gradually from government contracts to commercial work, which generally is more profitable than government work.

In FY 2018, NIH awarded the Company two new contracts and exercised options for additional work on three existing contracts.

During FY 2018, we continued to expand our offerings in other diseases, including influenza, RSV, Chikungunya, Dengue, Mayaro, malaria, cancer and bacterial infections, while maintaining our successful HIV research programs. BIOQUAL scientists continue to expand our lab and small animal capabilities and offerings.

BIOQUAL expanded our Board of Directors in FY 2018 with the addition of Dr. Vivek R. Shinde Patil, PhD. In addition to significant experience in scientific imaging, Dr. Patil is the Founder and Director of Ascent Virginia Inc., a social impact non-profit venture focused on clean tech jobs and economic development. Dr. Patil will bring valuable experience and insight to BIOQUAL's Board.

BIOQUAL continues to focus on research on the HIV/AIDS epidemic, which includes working with NIH investigators and NIH grantees to advance new research focused on novel vaccines, new therapeutics and potential treatments for curing of chronic diseases such as HIV/AIDS.

During the past fiscal year we co-authored ten peer reviewed scientific articles involving HIV, Zika, parasitic diseases and characterization of these diseases, which appeared in publications such as Science and Nature magazines. We performed studies for the NIH-Vaccine Research Center, NIH funded Duke focused on HIV vaccine development, and NIH funded Harvard grant entitled "Combined Immunologic Approaches to Cure HIV-1".

This year we nearly reached the capacity of our large animal holding facilities and we are currently engaged in a search for additional space. This will allow for our continued growth in both our large and small animal holdings and will also for expanding our laboratory offerings and capacity. We also plan to continue our replacement and upgrading of aging equipment in our laboratories and lab animal areas.

In April 2018, the Company subscribed to the OTC Disclosure and News Service and began disclosing company and financial information on the OTC Pink Marketplace. We will continue to also include these disclosures on our website. By providing this information to the OTC Marketplace, BIOQUAL's listing has been reclassified from the "No information" category to the "Current Information" category. The disclosures increase transparency of the Company and provide additional financial information to the investing public. It is our hope that the increased transparency will improve the market for the Company's shares.

BIOQUAL's productive fiscal year 2018 can principally be attributed to continued interest in animal model utilization by government, universities and commercial entities. BIOQUAL believes this is likely to continue into the 2019 fiscal year.

BIOQUAL's Board of Directors declared a cash dividend of \$0.60 per share for stockholders of record on September 20, 2018, payable at close of business on October 10, 2018. This is the seventeenth year that BIOQUAL has declared a dividend in the last twenty years.

Sincerely,



Mark G. Lewis, Ph.D.

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; 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.