Unaudited Financial Statements and Management's Discussion & Analysis

For the quarterly period ended February 28, 2023

BIOQUAL, INC.

Prepared by:

Chris Kirk
Chief Financial Officer

BIOQUAL, INC.

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Financial Statements.

BIOQUAL, INC.

UNAUDITED BALANCE SHEETS, FEBRUARY 28, 2023 AND MAY 31, 2022

ASSETS	**February 28, 2023**	May 31, 2022
CURRENT ASSETS:		
Cash and cash equivalents	**$ 4,363,678**	$ 2,184,245
Accounts receivable:		
Trade	**17,070,358**	19,880,639
Unbilled – current	**4,446,951**	6,882,950
Prepaid expenses	**3,721,553**	2,780,212
Total current assets	**29,602,540**	31,728,046
PROPERTY AND EQUIPMENT:		
Leasehold improvements	**11,402,922**	10,794,189
Furniture, fixtures and equipment	**18,453,722**	17,597,000
Total	**29,856,644**	28,391,189
Less accumulated depreciation and amortization	**(17,169,429)**	(15,522,693)
Property and equipment, net	**12,687,215**	12,868,496
OTHER ASSETS:		
Security deposits	**18,551**	18,551
Goodwill	**1,028,408**	1,028,408
Operating lease right-of-use assets	**18,401,503**	17,698,955
Total other assets	**19,448,462**	18,745,914
TOTAL	**$ 61,738,217**	$ 63,342,456
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	**$ 1,119,370**	$ 3,289,119
Accrued compensation and related liabilities	**2,028,703**	2,240,152
Operating lease liabilities, current	**3,196,342**	3,071,111
Deferred revenue	**526,865**	1,165,061
Total current liabilities	**6,871,280**	9,765,443
Deferred income taxes	**250,700**	250,700
Operating lease liabilities, non-current	**16,300,472**	15,653,827
Total liabilities	**23,422,452**	25,669,970
STOCKHOLDERS' EQUITY		
Preferred stock - par value of $1.00 per share; 500,000 shares authorized; no shares issued and outstanding		
Common stock - par value of $.01 per share; 5,000,000 shares authorized; 1,599,408 shares issued; 894,416 shares outstanding	**15,994**	15,994
Additional paid-in capital	**7,364,934**	7,364,934
Retained earnings	**31,976,077**	31,332,798
Treasury stock, at cost	**(1,041,240)**	(1,041,240)
Total stockholders' equity	**38,315,765**	37,672,486
TOTAL	**$ 61,738,217**	$ 63,342,456

See Management’s Discussion and Analysis.

BIOQUAL, INC.
UNAUDITED STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED FEBRUARY 28,

	2023	2022
REVENUES:		
Contract revenues	$ 14,107,568	$ 17,132,276
Total Revenues	14,107,568	17,132,276
OPERATING EXPENSES:		
Contract	13,783,861	14,324,583
General and administrative	1,937,852	1,597,404
Total Operating Expenses	15,721,713	15,921,988
OPERATING (LOSS) INCOME	(1,614,145)	1,210,288
INTEREST INCOME	3,946	-
(LOSS) INCOME BEFORE INCOME TAXES	(1,610,199)	1,210,288
PROVISION FOR INCOME TAXES	(470,500)	(353,700)
NET (LOSS) INCOME	$ (1,139,699)	$ 856,588
BASIC EARNINGS PER SHARE	$ (1.27)	$ 0.96
DILUTED EARNINGS PER SHARE	$ (1.27)	$ 0.96
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING FOR BASIC EARNINGS PER SHARE	894,416	894,416
EFFECT OF DILUTIVE SECURITIES – OPTIONS	(8)	15
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING FOR DILUTED EARNINGS PER SHARE	894,408	894,431

See Management’s Discussion and Analysis.

BIOQUAL, INC.
UNAUDITED STATEMENTS OF INCOME
FOR THE NINE MONTHS ENDED FEBRUARY 28,

	2023	2022
REVENUES:		
Contract revenues	**$ 46,595,270**	$ 47,806,600
Total Revenues	**46,595,270**	47,806,600
OPERATING EXPENSES:		
Contract	**38,926,112**	38,267,249
General and administrative	**5,503,069**	4,772,372
Total Operating Expenses	**44,429,181**	43,039,621
OPERATING INCOME	**2,166,089**	4,766,979
INTEREST INCOME	**8,206**	657
INCOME BEFORE INCOME TAXES	**2,174,295**	4,767,636
PROVISION FOR INCOME TAXES	**(636,600)**	(1,394,600)
NET INCOME	**$ 1,537,695**	$ 3,373,036
BASIC EARNINGS PER SHARE	**$ 1.72**	$ 3.77
DILUTED EARNINGS PER SHARE	**$ 1.72**	$ 3.77
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING FOR BASIC EARNINGS PER SHARE	**894,416**	894,416
EFFECT OF DILUTIVE SECURITIES – OPTIONS	**-**	10
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING FOR DILUTED EARNINGS PER SHARE	**894,416**	894,426

See Management’s Discussion and Analysis.

BIOQUAL, Inc.

Unaudited Statements of Stockholders' Equity

	Common Stock		Treasury Stock				
	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Retained Earnings	Total
Balance, June 1, 2022	1,599,408	15,994	704,992	(1,041,240)	7,364,934	31,332,798	37,672,486
Dividend declared - $1.00 per share						(894,416)	(894,416)
Net Income	-	-	-	-	-	1,537,695	1,537,695
Balance February 28, 2023	1,599,408	15,994	704,992	(1,041,240)	7,364,934	31,976,077	38,315,765

	Common Stock		Treasury Stock				
	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Retained Earnings	Total
Balance, June 1, 2021	1,599,408	15,994	704,992	(1,041,240)	7,364,934	27,190,249	33,529,937
Dividend declared - $1.25 per share						(1,118,020)	(1,118,020)
Net Income	-	-	-	-	-	3,373,036	3,373,036
Balance February 28, 2022	1,599,408	15,994	704,992	(1,041,240)	7,364,934	29,445,265	35,784,953

BIOQUAL, INC.
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED FEBRUARY 28,

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	**$ 1,537,695**	$ 3,373,036
Adjustments to reconcile net income to net cash provided by (used by) operating activities:		
Depreciation and amortization	**1,646,736**	1,260,367
Non-cash lease expense	**2,653,548**	5,617,109
(Increase) decrease in		
Accounts receivable	**5,246,280**	(4,721,786)
Prepaid expenses	**(941,341)**	(953,047)
Security deposits	**-**	(18,551)
Increase (decrease) in		
Accounts payable	**(2,169,749)**	815,131
Accrued compensation and related liabilities	**(211,449)**	(399,721)
Operating lease liabilities	**(2,584,220)**	(5,959,074)
Accrued income taxes	**-**	(81,900)
Deferred revenue	**(638,196)**	1,036,727
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**4,539,304**	(31,708)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	**(1,465,455)**	(4,180,979)
NET CASH USED BY INVESTING ACTIVITIES	**(1,465,455)**	(4,180,979)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividend paid	**(894,416)**	(1,118,020)
NET CASH USED BY FINANCING ACTIVITIES	**(894,416)**	(1,118,020)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**2,179,433**	(5,330,707)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**2,184,245**	7,719,702
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**$ 4,363,678**	$ 2,388,995
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Income Taxes	**$ 1,255,037**	$ 2,063,165
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Recognition of ROU assets	**$ 3,356,096**	$ 11,046,585
Recognition of operating lease liabilities	**$ 3,356,096**	$ 11,046,585

See Management's Discussion and Analysis.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Interim Financial Statements

In the opinion of management, all adjustments consisting only of normal recurring accruals necessary for a fair presentation of such amounts have been included. The results of operations for the quarter are not necessarily indicative of results for the year.

Reclassifications

Certain reclassifications have been made to the prior year presentation to conform to the current year presentation.

Items of Note

In the third quarter of fiscal year 2023, which commenced on December 1, 2022, the Company realized a net loss of $1,139,699, compared to net income of $856,588 for the third quarter of fiscal year 2022. Net income for the first nine months of fiscal year 2023 totaled $1,537,695, a 54% decrease compared to the net income of $3,373,036 for the first nine months of fiscal year 2022. See Results of Operations below for more detail on the decrease in net income.

During the third quarter of fiscal year 2023, the National Institute of Allergy and Infectious Diseases (NIAID) provided $7,135,676 of incremental funding for the third option year of the contract entitled "Animal Care and Laboratory Support Services to the Vaccine Research Center". The seven-year contract has a maximum potential funding amount of $69,174,672 including all options. The cumulative funding of the contract increased from $26,556,604 to $33,692,280. The incremental funding covers costs incurred from December 1, 2022, through September 27, 2023. There are, however, no assurances that any other options will be exercised under this contract.

Subsequent to the end of the third quarter, the NIAID exercised the third option year and provided incremental funding totaling $628,114 on two task orders under the contract entitled "Simian Vaccine Evaluation Units (SVEUs)". The total obligated funding for the two task orders is $2,414,822 which covers costs through March 31, 2024. The seven-year contract has a maximum potential funding amount of $6,682,071 including all options. The cumulative funding of the contract increased from $2,317,667 to $2,945,781. There are, however, no assurances that any other options will be exercised, or any other task orders awarded under this contract.

COVID-19

BIOQUAL staff have been listed as co-authors of several peer reviewed COVID-19 related articles in scientific journals. Certain data included in the articles were obtained during studies performed in our laboratories. Several of the articles are available for review on the Company's website (www.bioqual.com).

BIOQUAL continues to attract COVID-19 related contracts due to its experience working with the virus and its capacity to perform research in a Biosafety Level 3 (BSL-3) environment. Approximately 21% of the revenues generated this quarter and 25% of the revenues generated in the first nine months of the fiscal year were in support of COVID-19 related research. The Company is also performing in-vivo and in-vitro studies to assist the federal government, universities and commercial organizations with their research efforts to develop vaccines and therapies against other diseases including AIDS, Zika, Chikungunya, influenza, and others. The Company believes it has the capacity and resources to support all of these efforts simultaneously.

Results of Operations

Three Months Comparison

The $3,024,708 decrease in revenues to $14,107,568 for the quarter ended February 28, 2023, compared to $17,132,276 for the quarter ended February 28, 20222, is primarily the result of a decrease in contract activity in commercial contracts of approximately $3,336,000 compared to the third quarter of the previous fiscal year. Additionally, revenues for grants decreased by approximately $100,000 compared to the third quarter of the previous fiscal year. The decrease in revenues was partially offset by an increase in revenue generated by government contracts of approximately $410,000.

The $540,722 decrease in contracting operating expenses for the quarter ended February 28, 2023, primarily reflects decreases in contract materials and supplies costs.

The $340,448 increase in General and Administrative (G&A) expenses for the quarter ended February 28, 2023 primarily reflects increases in administrative labor costs, higher IT, accounting, and biosafety consultants and IT supplies.

The $2,824,433 decrease in operating income primarily reflects lower commercial contract revenue and higher labor and related benefits costs compared to the third quarter of the last fiscal year.

Nine Months Comparison

The $1,211,330 decrease in revenues to $46,595,270 for the nine months ended February 28, 2023, compared to $47,806,600 for the nine months ended February 28, 2022, is primarily the result of a decrease in contract activity in government contracts of approximately $878,000 compared to the third quarter of the previous fiscal year. Additionally, revenues for commercial contracts decreased by approximately $579,000 compared to the first nine months of the previous fiscal year. The decrease in revenues was partially offset by an increase in revenue generated by grants of approximately $245,000.

The $658,863 increase in contract operating expenses for the nine months ended February 28, 2023, primarily reflects increases in expenses related to higher labor and related benefits costs of approximately $3,600,000 partially offset by lower contract materials and supplies costs of approximately $3,000,000.

The $730,697 increase in General and Administrative (G&A) expenses for the nine months ended February 28, 2023, primarily reflects increases in administrative labor costs of approximately $275,000 and higher IT, accounting, and biosafety consultants and IT supplies of approximately $228,000 compared to similar costs incurred in the first nine months of the previous fiscal year.

The $2,600,890 decrease in operating income primarily reflects lower revenue and higher costs for operations, labor, and consultants related to indirect (infrastructure) positions as described above compared to similar costs in the first nine months of the last fiscal year.

See the risks and uncertainties section of the notes to financial statements for more information about the increased costs of staffing described in the paragraphs above.

Liquidity and Capital Resources

During the first nine months of fiscal year 2023, the Company directed approximately $1,466,000 towards capital expenditures compared to approximately $4,181,000 in the first nine months of fiscal year 2022. These expenditures were necessary to provide additional equipment and cages for research being performed in the Company's laboratories, as well as for leasehold improvements at our animal facilities. The Company has been able to continue to fund all of these expenditures through the use of available cash.

The Company plans, during the 4th quarter of fiscal year 2023, to spend an aggregate of approximately $500,000 to purchase equipment to upgrade older equipment, enhance its capabilities, and to renovate animal housing space.

During the first nine months of fiscal year 2023, the Company purchased approximately $250,000 in infrastructure, cage washing, sanitation, and animal care equipment in connection with the construction of approximately 10,700 square feet of space in its 9600 Medical Center Dr. facility to be utilized as a vivarium for small animals. The construction phase was substantially complete in the first quarter of fiscal year 2023. The vivarium began to house animals for studies during the second quarter of fiscal year 2023. The total construction costs were approximately $5,400,000. All construction-related costs were paid using cash on hand. Amortization of the construction costs began during the second quarter of fiscal year 2023 and will continue over the remaining life of the lease (including extensions).

The Company is obligated, as lessee, under non-cancelable operating leases covering its facilities and certain equipment at various dates through 2029. Operating lease costs for the first nine months of fiscal year 2023 was approximately $3,200,000. As of February 28, 2023, the total lease payments are approximately $22,287,000 through 2029.

Other than the items mentioned above, the Company does not anticipate other substantial capital and other expenditures during fiscal year 2023. However, if the Company is awarded new contracts that require additional equipment or animal enclosures during that period, the Company believes it will have sufficient capital resources to provide for the purchase of the equipment.

BIOQUAL has a $2,000,000 line of credit with M&T Bank available to help cover costs of its daily operations. The line of credit is due on demand and renewable annually. As of February 28, 2023, there was no balance due on the line of credit. The interest rate on funds drawn on the line of credit is the prime rate plus .25%, which as of February 28, 2023, was 8.00%. On February 28, 2023, the Company had a balance of cash and cash equivalents of $4,363,678. With the above line of credit and the cash resources expected to be available as a result of collection of accounts receivable, the Company believes it will have sufficient capital resources to provide for daily operations and its capital needs through the end of fiscal year 2023.

The following provides additional information on select balance sheet items: 1) the $941,341 increase in prepaid expenses during the first nine months of the fiscal year primarily reflects the purchase of NHPs for future use; 2) the $2,435,999 decrease in unbilled receivables reflects the issuance of multiple invoices in the first nine months of the fiscal year for unbilled receivables at May 31, 2022; 3) the decrease in trade receivables of $2,810,281 reflects the increased focus on timely collection of outstanding invoices as well as a decrease in billing in the 3rd quarter; 4) the $2,169,749 decrease in accounts payable reflects a lower total amount of outstanding invoices for the purchase of nonhuman primates ("NHPs") as well as amounts outstanding for other materials suppliers; and 5) the $638,196 decrease in deferred revenue reflects the recognition of revenue on completed contracts during the first nine months of fiscal year 2023.

Notes to financial statements

Risks and uncertainties

Since the start of the pandemic, to keep up with the increased number of contracts and the increased complexity of the COVID related contracts, taking employee turnover into consideration, the Company has increased its workforce by approximately 40%. Coupled with the increased number of employees, in order to compete with the other laboratories seeking a similar workforce, the Company has had to alter its salary structure by increasing the pay rates of certain labor categories to attract and retain employees needed to enable the Company to meet the increased demand for its services. To date, the Company has been relatively successful in acquiring sufficient staffing to keep up with contract demand. There are, however, no assurances that the Company will be able to continue to hire a sufficient number of employees to meet future contract demand.

The Company continually monitors economic factors, including the labor market and the price of supplies, and adjusts its pricing to clients to try to minimize the potential adverse effect these increasing costs would have on its operating profit. However, there are no assurances that these pricing changes will fully offset the effect of negatively impacting economic factors on its operating profit.

In response to the effects on the economy of COVID-19, the Company continues to stay in contact with its critical suppliers to ensure the continued delivery of necessary materials to keep our employees safe and healthy at the workplace as well as to continue to provide animal husbandry and required procedures for its clients. To date, the Company has been able to procure adequate quantities of critical materials and supplies to continue operations. Based on market demand, the Company has had to pay higher prices for certain critical items which has had a negative impact on the results of operations. There are, however, no assurances that BIOQUAL will be able to continue obtaining such critical materials without interruption.

A significant part of the research support services provided by BIOQUAL requires the use of NHPs, which continue to be difficult to procure in adequate quantities to satisfy the demand for continuing COVID-19 vaccine and therapeutics development as well as research of other infectious diseases. The Company continues to work closely with its suppliers and is committing (providing cash deposits) to the purchase of NHPs as soon as they become available in order to have a pipeline of animals for future studies. China, a major breeder and supplier of NHPs, ceased exporting NHPs in 2020. The resumption of exporting NHPs by China would help alleviate the shortage of this important component of infectious disease research; however, there is no assurance that this will happen, and a continued shortage of NHPs could adversely affect the Company's ability to perform new projects.

Leases

The Company enters into leases as a lessee for certain buildings and equipment. The Company's leases typically have lease terms between three years and ten years and may include one or more renewal options. Under Accounting Standards Codification (ASC) Topic 842, *Leases,* at contract inception the Company determines whether a contract is or contains a lease and whether the lease should be classified as an operating or finance lease. Operating leases balances are included in the operating lease right-of-use assets and operating lease liabilities in the accompanying Balance Sheets for the nine months ended February 28, 2023, and the year ended May 31, 2022.

The Company recognizes operating lease right-of-use assets and operating lease liabilities based on the present value of the future minimum lease payments over the lease term at the commencement date. The Company uses its incremental borrowing rate based on the information available at the commencement date to determine the present value of future payments and the appropriate lease classification. Many of the Company's leases include renewal options aligned with any extended contract terms. The Company defines the initial lease term to include renewal options determined to be reasonably certain. The Company has elected not to recognize a right-of-use asset and a lease liability for leases with an initial term of 12 months or less; it recognizes lease expense for these leases on a straight-line basis over the lease term. The Company has also elected not to separate lease components from non-lease components and applied this to all material classes of leased assets.

Finance leases are not material to the Company's financial statements and the Company is not a lessor in any material arrangements. The Company does not have any material restrictions or covenants in the lease agreements, sale-leaseback transactions, land easements or residual value guarantees.

The components of total lease cost and other supplemental lease information are presented in the following tables:

	For the Nine Months Ended February 28, 2023
Components of lease cost:	
Operating lease costs	3,199,758
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	3,151,026
Lease liabilities arising from obtaining ROU assets (subsequent to adoption)	
Operating leases	3,356,096

Weighted average remaining lease terms and discount rates are presented in the following table:

	February 28, 2023
Weighted average remaining lease term (in years):	
Operating leases	4.91
Weighted average discount rate (annual):	
Operating leases	5.51%

The following table presents a maturity analysis of the Company's operating liabilities at February 28, 2023

	Operating Leases
Year 1	4,627,613
Year 2	4,709,017
Year 3	4,763,208
Year 4	3,554,966
Year 5	2,478,210
Thereafter	2,154,182
Total lease payments	22,287,196
Less: imputed interest	(2,790,381)
Present value of lease liabilities	19,496,814

Revenue recognition accounting

Billings under cost-based government contracts are calculated using provisional rates which permit recovery of indirect costs. These rates are subject to audit on an annual basis by the relevant government agency's cognizant audit agency. The cost audits will result in the negotiation and determination of the final indirect cost rates which the Company may use for the years audited. The final rates, if different from the provisional rates, may create a receivable or a liability.

As of February 28, 2023, the Company had negotiated final settlements on indirect cost rates through May 2018. The Company periodically reviews its cost estimates and experience rates. Adjustments, if needed, are made and reflected in the period in which the estimates are revised. In the opinion of management, redetermination of any cost-based contracts for the open years will not have any material effect on the Company's financial position or results of operations.

Changes in estimates related to contracts with performance obligation(s) accounted for using the output method on fixed-price-milestone (FP-M) type contracts, that is primarily based on a proportion of study-related procedures and/or tests, are recognized in the period in which such changes are made on a cumulative catch-up basis. This basis recognizes in the current period the cumulative effect of the changes on current and prior periods based on the performance obligations related proportionate progress towards completion.

For the nine months ended February 28, 2023, there were no material modifications recorded related to work previously performed on FP-M type contracts prior to the execution of formal modifications or amendments. A significant change in one or more estimates could affect the profitability of one or more of the performance obligations.

Remaining Performance Obligations: Remaining performance obligations represent the expected value (transaction price) of executed contracts, both funded and unfunded, less revenue recognized to date. Remaining performance obligations do not include future potential purchase or work orders expected to be awarded under Master Service Agreement (MSA) or similar agreements.

As of February 28, 2023, the Company expects to recognize a majority of the remaining performance obligations over the next 12 months.

Disaggregation of Revenues: The Company disaggregates revenue by customer-type and contract-type as these categories best represent how the nature, timing and uncertainty of the Company's revenue and cash flows are affected by the U.S. government procurement environment and economic factors.

Disaggregated revenue by customer-type and contract type was as follows:

Disaggregated revenue:

Revenue by Customer Type and Contract Type	Three Months Ended February 28, 2023	Nine Months Ended February 28, 2023
National Institutes of Health (NIH)		
Cost-Plus-Fixed-Fee	$ 3,710,019	$ 7,913,698
Fixed-Price-Per-Unit and Time-And-Materials	20,563	22,563
Fixed-Price-Milestone	242,175	262,738
Total National Institutes of Health	3,972,757	8,198,999
Commercial and Other		
Cost-Plus-Fixed-Fee	104,927	432,931
Fixed-Price-Per-Unit and Time-And-Materials	9,549,767	32,486,933
Fixed-Price-Milestone	480,117	5,476,407
Total Commercial and Other	10,134,811	38,396,271
Total Revenues	$ 14,107,568	$ 46,595,270

Cost-plus-fixed-fee (CPFF) contracts are generally lower risk and have lower profits. Time-and-materials (T&M) and fixed-price-per-unit (FP-U) contracts are also low risk, but profits may vary depending on actual labor costs compared to negotiated contract billing rates. FP-M contracts offer the potential for higher profits while increasing the Company's exposure to risk of cost overruns.

Contract Assets and Liabilities: Contract assets include unbilled contract receivables, which is the amount of revenue recognized that exceeds the amount billed to the customer, and right to payment is not just subject to the passage of time. Contract assets also include incremental fulfillment costs where, under certain fixed-price contracts, costs are incurred usually at the beginning of the contract performance, where the single performance obligation has not yet been completely satisfied. Contract liabilities consist of deferred revenue.

The components of contract assets and contract liabilities consisted of the following:

Contract asset and liabilities:

		February 28, 2023	**June 1, 2022**
Contract assets:	Balance sheet line item:		
Unbilled contract receivables [1]	Accounts receivable	$4,446,951	$ 6,882,950
Fulfillment costs	Prepaid expenses	1,463,896	1,352,851
		$5,910,847	$ 8,235,801
Contract liabilities:	Balance sheet line item:		
Deferred revenue	Deferred revenue	$ 526,865	$ 1,165,061

The decrease in "Contract assets" was primarily due to the timing of billings and revenue recognized on certain contracts partially offset by additional fulfillment costs being capitalized on certain contracts. The decrease in "Contract liabilities" was primarily due to recognizing revenue on certain FP-M contracts.

During the nine months ended February 23, 2023, the Company recognized revenue of approximately $667,000 relating to amounts that were included as a contract liability at June 1, 2022.

During the nine months ended February 28, 2023, the Company recognized approximately $2,071,000 of amortization related to its fulfillment costs. The Company did not recognize any impairment losses on contract assets for the nine months ended February 28, 2023.

[1] Balances include primarily timing differences between what the Company has billed or has the right to bill as of the period end as compared with the revenue recognized, on FP-M and CPFF type contracts.

Forward Looking Information

Statements herein that are not descriptions of historical facts are forward-looking and subject to risks and uncertainties. The forward-looking statements are neither promises nor guarantees, and one should not place undue reliance on these forward-looking statements because they involve known and unknown risks, uncertainties, and other factors, many of which are beyond the Company's control and which could cause actual results to differ materially from those expressed or implied by these forward-looking statements, including risks relating to the ability to continue to extend current government contracts; the Company's ability to obtain new government or commercial contracts; continued demand for the use of animal models in scientific research; the Company's ability to obtain sufficient numbers of animal models; the availability of adequate numbers of employees; the Company's ability to perform under its contracts in accordance with the requirements of the contracts; the actual costs 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.

BIOQUAL, Inc. **www.bioqual.com** **BIOQ(Pinksheets)**

"NEWS RELEASE"

FOR RELEASE: Immediately, April 21, 2023 Rockville, MD
CONTACT: Mark G. Lewis, Ph.D., CEO (240-404-7654)

BIOQUAL PRESENTS UNAUDITED FINANCIAL RESULTS FOR THIRD QUARTER OF FISCAL YEAR 2023

	Nine Months Ended February 28,		Three Months Ended February 28,	
	2023	2022	2023	2022
Revenue	$ 46,595,270	$ 47,806,600	$ 14,107,568	$ 17,132,276
Income Before Income Tax	$ 2,174,295	$ 4,767,636	$ (1,610,199)	$ 1,210,288
Net (Loss) Income	$ 1,537,695	$ 3,373,036	$ (1,139,699)	$ 856,588
Basic Earnings per Share of Common Stock	$ 1.72	$ 3.77	$ (1.27)	$ 0.96
Diluted Earnings per Share of Common Stock	$ 1.72	$ 3.77	$ (1.27)	$ 0.96
Weighted Average Number of Shares Outstanding For Basic Earnings Per Share	894,416	894,416	894,416	894,416
Weighted Average Number of Shares Outstanding For Diluted Earnings Per Share	894,416	894,426	894,408	894,431

For more detail related to the fiscal year 2023 unaudited third quarter results, please visit our web site at www.bioqual.com.

Statements herein that are not descriptions of historical facts are forward-looking and subject to risks and uncertainties. The forward-looking statements are neither promises nor guarantees, and you should not place undue reliance on these forward-looking statements because they involve known and unknown risks, uncertainties, and other factors, many of which are beyond the Company's control and which could cause actual results to differ materially from those expressed or implied by these forward-looking statements, including risks relating to the ability to continue to extend current government contracts; the Company's ability to obtain new government or commercial contracts; continued demand for the use of animal models in scientific research; the Company's ability to obtain sufficient numbers of animal models; the availability of adequate numbers of employees; the Company's ability to perform under its contracts in accordance with the requirements of the contracts; the actual costs 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.