VIRALGENETICS

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March 2012 President's Letter to Shareholders

Dear fellow shareholders:

In our 2011 Year in Review and 2012 Outlook, we indicated that we are going to be more proactive about getting news of corporate developments out to you in a more timely fashion. This letter could hardly be more timely as we announced the following breaking news last week:

We are extremely proud to inform you that we have just submitted a pre-IND (Investigational New Drug) for our Lyme Disease drug candidate, VGV-L, with the FDA. This is a big milestone for us in a number of ways, not the least of which is that we have now "officially" embarked towards clinical trials of another drug in our pipeline. More than that, though, we're excited because of the following:

1. *Efficiency* – Our team brought a compound from the drawing board, to the lab bench, to the point of FDA pre-IND review in2 ½ years during a time when risk-capital has been very hard to come by. I am very proud of our organization – and I think you should be, as well, – for accomplishing so much in such a short timeframe. I believe that as we continue to execute like this, we will generate additional resources that will accelerate our development timelines.
2. *The Lyme Disease Drug Market* – The harsh reality for people living with this condition is there really isn't any market. It's basically antibiotics and hope you catch it early. Once Lyme progresses to the chronic (long-term) stage, treatment options become very limited. So, as a for-profit business reporting to our shareholders, we're obviously tremendously excited about the prospect of perhaps being the sole alternative for a condition affecting tens to possibly hundreds of thousands of people. However, as people who are also motivated by helping others, this is also rewarding in another way because it's the first step in maybe bringing some hope or even relief to some people who are suffering with something that seriously and negatively impacts their lives.
3. *We Have a Platform and We're Not Just an HIV/AIDS Company* – We have long believed and talked about the Targeted Peptides technology (TPT) being a "platform" for drug development. What we mean by this is that we think there are numerous possibilities for numerous drugs to be developed for many different diseases using the framework, model and intellectual property we call TPT. Lyme is now the second

disease indication we will submit to the FDA which has come from the TPT family (HIV/AIDS having been the first), and we are continuing to work on candidates for Multiple Sclerosis, Staph, Strep, Sepsis, and others. This doesn't even account for our Metabolic Disruption technology (MDT) pipeline. We're not just an HIV/AIDS company anymore.

In other news, we continue to work with our advisors and consultants on moving ahead the MDT oncology study in Texas. We remain on track to go through FDA review once institutional reviews of the protocol are complete at the potential second test site.

We continue to do lab testing of the GLP version of APi1177, our HIV/AIDS drug candidate. The testing is ongoing and, as previously stated, we will be able to commence the toxicology, safety, virology and other testing necessary to file the full sponsor IND once GLP validation is completed.

On the VG Energy front, our internal testing of MDT additives for increasing oil yields in algae for biofuel continues to deliver exciting results. The same goes for various third parties who are testing our additives in their own processes. We expect to have more to say on both of these initiatives this month, but please remember the process is dynamic so I cannot guarantee timing on this.

In February we invested in our corporate development efforts by bringing on board some new professionals – one of whom is Nathan Tinker, PhD. Nathan is the Executive Director of the New York Biotechnology Association, a non-profit group that builds bridges between academia, industry, and the public sector in the life sciences and nano-sciences arenas. Nathan is very well connected in the biotech community and we think he can open a lot of doors for us – doors that we believe our science is ready to go through. The goal is to meet potential development, collaboration and licensing partners, both for our drug research programs and for VG Energy's biofuel programs. This is in line with one of our core long-term strategic goals of securing one or more major licensing partners to fund and help carry out ongoing R&D through to commercialization for our technology.

We also added a second corporate development professional and this individual has put us in front of other potential strategic partners in pharmaceuticals and biofuels, new investors, recruiting firms, publicists, public officials, and other potentially valuable resources. By my count we now have about a half dozen such people working for us, helping us find people, groups and firms that can help us achieve our business plan. Our objective is to be on their radar screens so that when we do meet their requirements they are teed up for us. In fact, I probably spend about 75% of my time 6-7 days a week on this type of business or corporate development – so if you're one of the many folks who has called and got my voicemail, you know why!

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March is looking to be a good month for us in terms of advancing our research, especially on the drug development side as we continue to move towards what could be three drugs ready for clinical trials later this year or early next year.

Finally, we are on target to have our 2011 Annual Report and Consolidated Financial Statements filed on www.otcmarkets.com by the last week of March or early April.

As always, thank you for your ongoing support.

Haig Keledjian
President
Viral Genetics, Inc.

For further details on this document, please refer to the Company's filings on www.otcmarkets.com.

For more information on Viral Genetics, Inc. or VG Energy, Inc. please see our websites:
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