



PRECISION OPTICS CORPORATION

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NEWS RELEASE

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FOR IMMEDIATE RELEASE

Thursday, September 26, 2019

Precision Optics Reports Fourth Quarter and Fiscal Year 2019 Financial Results

Conference Call Scheduled for today, September 26, 2019 at 5:00pm ET

GARDNER, MA, September 26, 2019. Precision Optics Corporation, Inc. (OTCQB: PEYE), a leading designer and manufacturer of advanced optical instruments for the medical and defense industries, announced operating results on an unaudited basis for its fourth quarter and fiscal year ended June 30, 2019.

Fourth quarter fiscal 2019 highlights:

- Revenue for the quarter (ended June 30, 2019) was \$2.4 million compared to \$1.5 million in the same quarter of the previous fiscal year, an increase of 63% driven primarily by an increase in production revenue for medical devices that incorporate the Company's Microprecision™ technology, as well as one month of contribution from Ross Optical.
- Ross Optical contributed \$656,000 to Precision Optics' revenue during the month of June 2019.
- Production revenue was \$912,000 in the quarter, an increase of 18% compared to \$770,000 in the same quarter of the previous fiscal year.
- Gross margins of 36% in the quarter continued to improve sequentially for the second consecutive quarter.
- Net loss of \$109,000 during the quarter included \$128,000 of business acquisition expenses and \$117,000 of stock-based compensation.

Fiscal year 2019 highlights:

- Revenue for the fiscal year (ended June 30, 2019) was \$6.8 million compared to \$4.0 million in the previous fiscal year, an increase of 69%.
- Production revenue during the fiscal year increased 140% to \$3.7 million compared to \$1.5 million in the previous fiscal year.
- Excluding the one-month contribution from Ross Optical, the fiscal year revenue was \$6.1 million, an increase of 52% compared to the previous fiscal year.

Pro forma (assuming a full year of Ross Optical) financial highlight:

- For the 12 months of fiscal year 2019 (ended June 30, 2019), pro forma financial results show a combined organization (Precision Optics and Ross Optical) with \$10.5 million in sales and gross margin of approximately 36%.

Precision Optics' CEO, Joseph Forkey, commented, "Our financial results from the fourth quarter and from fiscal year 2019 overall, continue to demonstrate the success of our business model. By utilizing our proprietary optical technology to develop and manufacture state-of-the art custom medical imaging products, we enable the world's leading medical device companies to bring next generation, minimally invasive devices and 3D surgical robotic systems to market. The transition of a number of these Precision Optics enabled projects to commercialization by our customers drove a 140% increase in production revenues during fiscal 2019. Based on order visibility on currently commercialized products, as well as expected near-term commercialization of products currently in our pipeline, we believe fiscal 2020 should be another strong year for Precision Optics."

Dr. Forkey continued, “Fiscal 2019 was a milestone year for us also because of the acquisition of Ross Optical Industries. We completed this acquisition – the first ever for Precision Optics - on July 1st. One of the benefits of the acquisition is that it expands our readily accessible customer base, particularly in the defense industry, where we believe there are opportunities for use of our Microprecision™ micro optics and imaging systems. The acquisition also extends our product offering to include a wider range of lens and optical system sizes, drives economies of scale within our organization, and allows the combined company to leverage our technical proficiency in offering end-to-end solutions to the expansive Ross Optical customer base. We look forward to the many opportunities we believe are available to drive further growth and efficiencies in 2020 and beyond.”

The following table summarizes the fourth quarter (unaudited) and year results for the periods ended June 30, 2019 and 2018:

	Three Months Ended June 30,		Year Ended June 30,	
	2019	2018	2019	2018
Revenues	\$ 2,380,406	\$ 1,460,932	\$ 6,804,169	\$ 4,038,048
Gross Profit	848,313	558,801	2,122,478	1,481,918
Stock Compensation Expenses	105,990	10,339	462,093	43,672
Business Acquisition Expenses	128,111	-	128,111	-
Other	722,189	530,145	2,144,817	1,786,865
Total Operating Expenses	956,290	540,484	2,735,021	1,830,537
Operating Income (Loss)	(107,977)	18,317	(612,543)	(348,619)
Net Income (Loss)	(109,155)	16,992	(614,871)	(351,390)
Income (Loss) Per Share:				
Basic and Diluted	\$ (0.01)	\$ 0.00	\$ (0.05)	\$ (0.04)
Weighted Average Common Shares Outstanding:				
Basic and Diluted	12,061,710	10,131,007	11,486,079	9,826,151

Conference Call Details

The Company has scheduled a conference call to discuss the fiscal year end and fourth quarter 2019 financial results for Thursday, September 26, 2019 at 5:00 p.m. EDT.

Call-in Information: Interested parties can access the conference call by dialing (877) 317-6789 or (412) 317-6789.

Live Webcast Information: Interested parties can access the conference call via a live Internet webcast, which is available at <https://www.webcaster4.com/Webcast/Page/2109/31676>.

Replay: A teleconference replay of the call will be available until October 3, 2019 at (877) 344-7529 or (412) 317-0088, confirmation #10135010. A webcast replay will be available at <https://www.webcaster4.com/Webcast/Page/2109/31676>.

About Precision Optics Corporation

Precision Optics Corporation enables innovation in minimally invasive surgery, diagnostics and treatment through optics and photonics. Precision Optics Corporation has been a leading developer and manufacturer of advanced optical instruments since 1982. Using proprietary optical technologies, the Company designs and produces next generation medical instruments, Microprecision™ micro-optics with characteristic dimensions less than 1 millimeter, and other advanced optical systems for market-leading medical device companies. The Company’s innovative medical instrumentation line includes state-of-the-

art endoscopes and endocouplers as well as custom illumination and imaging products for use in minimally invasive surgical procedures. The Company believes that current advances in its proprietary micro-optics and 3D imaging technologies present significant opportunities for expanding applications to numerous potential medical products and procedures. The Company's website is www.poci.com. Investors can find Real-Time Quotes and market information for the Company on www.otcmarkets.com/stock/PEYE/quote.

About Forward-Looking Statements

This press release contains forward-looking statements. Forward-looking statements include, but are not limited to, statements that express the Company's intentions, beliefs, expectations, strategies, predictions or any other statements related to the Company's future activities or future events or conditions. These statements are based on current expectations, estimates and projections about the Company's business based, in part, on assumptions made by the Company's management. These statements are not guarantees of future performances and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in the forward-looking statements due to numerous factors, including those risks discussed in the Company's annual report on Form 10-K and in other documents that we file from time to time with the SEC. Any forward-looking statements speak only as of the date on which they are made, and the Company does not undertake any obligation to update any forward-looking statement, except as required by law.

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Following are the Company's Consolidated Balance Sheets at June 30, 2019 and June 30, 2018, and Statements of Operations, Stockholders' Equity and Cash Flows for the years ended June 30, 2019 and 2018:

PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AT JUNE 30,

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,288,426	\$ 402,738
Accounts receivable (net of allowance for doubtful accounts of \$246,953 at June 30, 2019 and \$232,500 at June 30, 2018)	2,165,107	796,923
Inventories	1,734,604	1,144,068
Prepaid expenses	180,336	70,991
Total current assets	<u>6,368,473</u>	<u>2,414,720</u>
Fixed Assets:		
Machinery and equipment	2,748,715	2,511,638
Leasehold improvements	668,446	553,596
Furniture and fixtures	168,450	148,303
	<u>3,585,611</u>	<u>3,213,537</u>
Less—Accumulated depreciation and amortization	3,202,605	3,164,051
Net fixed assets	<u>383,006</u>	<u>49,486</u>
Patents, net	54,087	47,275
Goodwill	687,664	—
TOTAL ASSETS	<u>\$ 7,493,230</u>	<u>\$ 2,511,481</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current portion of capital lease obligation	\$ 9,572	\$ 8,962
Accounts payable	1,174,263	703,538
Customer advances	450,192	857,842
Accrued compensation and other	533,944	362,502
Amount due for business acquisition	1,443,341	—
Total current liabilities	<u>3,611,312</u>	<u>1,932,844</u>
Capital lease obligation, net of current portion	5,027	14,601
Acquisition earn out liability	500,000	—
Stockholders' Equity:		
Common stock, \$0.01 par value: 50,000,000 shares authorized; issued and outstanding – 12,071,139 shares at June 30, 2019 and 10,197,139 shares at June 30, 2018	120,712	101,972
Additional paid-in capital	48,893,172	45,484,186
Accumulated deficit	(45,636,993)	(45,022,122)
Total stockholders' equity	<u>3,376,891</u>	<u>564,036</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 7,493,230</u>	<u>\$ 2,511,481</u>

PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED JUNE 30,

	<u>2019</u>	<u>2018</u>
Revenues	\$ 6,804,169	\$ 4,038,048
Cost of goods sold	<u>4,681,691</u>	<u>2,556,130</u>
Gross profit	2,122,478	1,481,918
Research and development expenses, net	505,300	456,377
Selling, general and administrative expenses	2,101,610	1,374,160
Business acquisition expenses	128,111	—
Total operating expenses	<u>2,735,021</u>	<u>1,830,537</u>
Operating loss	(612,543)	(348,619)
Interest expense	<u>(1,416)</u>	<u>(1,859)</u>
Loss before provision for income taxes	(613,959)	(350,478)
Provision for income taxes	<u>912</u>	<u>912</u>
Net loss	<u>\$ (614,871)</u>	<u>\$ (351,390)</u>
Loss per share:		
Basic and fully diluted	<u>\$ (0.05)</u>	<u>\$ (0.04)</u>
Weighted average common shares outstanding:		
Basic and fully diluted	<u>11,486,079</u>	<u>9,826,151</u>

PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED JUNE 30,

	<u>Number of Shares</u>	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Total Stockholders' Equity</u>
Balance, July 1, 2017	8,872,916	\$ 88,729	\$45,140,383	\$ (44,670,732)	\$ 558,380
Proceeds from private placement of common stock, net of issuance costs of \$2,963	555,556	5,556	241,482	—	247,038
Proceeds from exercise of stock purchase warrants	666,667	6,667	—	—	6,667
Issuance of common stock for consulting services	102,000	1,020	49,980	—	51,000
Stock-based compensation	—	—	52,341	—	52,341
Net loss	—	—	—	(351,390)	(351,390)
Balance, June 30, 2018	<u>10,197,139</u>	<u>\$ 101,972</u>	<u>\$45,484,186</u>	<u>\$ (45,022,122)</u>	<u>\$ 564,036</u>
Proceeds from private placement of common stock, net of issuance costs of \$12,250	1,600,000	16,000	1,971,750	—	1,987,750
Proceeds from exercise of stock options	74,000	740	53,160	—	53,900
Issuance of common stock for services	200,000	2,000	208,000	—	210,000
Proceeds from private placement of common stock subscribed, net of estimated issuance costs of \$12,250	—	—	912,750	—	912,750
Stock-based compensation	—	—	263,326	—	263,326
Net loss	—	—	—	(614,871)	(614,871)
Balance, June 30, 2019	<u>12,071,139</u>	<u>\$ 120,712</u>	<u>\$48,893,172</u>	<u>\$ (45,636,993)</u>	<u>\$ 3,376,891</u>

PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Net loss	\$ (614,871)	\$ (351,390)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities-		
Depreciation and amortization	38,554	27,216
Provision for doubtful accounts receivable	8,083	227,500
Stock-based compensation expense	473,326	52,341
Non-cash consulting expense	-	2,400
Changes in operating assets and liabilities, net of effects of business acquisition-		
Accounts receivable	(723,369)	(555,875)
Inventories	137,510	(88,621)
Prepaid expenses	(106,456)	(15,006)
Accounts payable	69,365	48,580
Customer advances	(432,000)	677,705
Accrued compensation and other	118,165	75,807
Net cash provided by (used in) operating activities	<u>(1,031,693)</u>	<u>100,657</u>
Cash Flows from Investing Activities:		
Cash acquired in business acquisition, net of \$56,659 paid at year end	106,545	-
Additional patent costs	(6,812)	(17,189)
Purchases of fixed assets	(140,038)	(4,448)
Net cash used in investing activities	<u>(40,305)</u>	<u>(21,637)</u>
Cash Flows from Financing Activities:		
Payment of capital lease obligation	(8,964)	(8,392)
Gross proceeds from private placements of common stock	2,925,000	210,001
Gross proceeds from exercise of stock options and warrants	53,900	6,667
Private placement expenses paid	(12,250)	(2,963)
Net cash provided by financing activities	<u>2,957,686</u>	<u>205,313</u>
Net increase in cash and cash equivalents	1,885,688	284,333
Cash and cash equivalents, beginning of year	<u>402,738</u>	<u>118,405</u>
Cash and cash equivalents, end of year	<u>\$ 2,288,426</u>	<u>\$ 402,738</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for income taxes	<u>\$ 912</u>	<u>\$ 912</u>
Supplemental disclosure of non-cash financing activities:		
Issuance of common stock for services	<u>\$ 210,000</u>	<u>\$ 51,000</u>
Private placement expenses incurred but not yet paid	<u>\$ 12,250</u>	<u>\$ -</u>
Issuance of common stock in settlement of accounts payable	<u>\$ -</u>	<u>\$ 40,000</u>