



PRECISION OPTICS CORPORATION

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**NEWS RELEASE**

**POC18-0093**

FOR IMMEDIATE RELEASE

**Wednesday, November 14, 2018**

**Precision Optics Corporation, Inc. Announces Operating Results for the First Quarter of Fiscal Year 2019 Ended September 30, 2018**

GARDNER, MA, November 14, 2018. Precision Optics Corporation, Inc. (OTCQB: PEYE) (the “Company”) today announced operating results on an unaudited basis for its first quarter ended September 30, 2018.

First quarter highlights include:

- Revenues of \$1,559,000 compared to \$1,029,000 in the first quarter of fiscal 2018, representing 52% growth;
- Quarter-over-quarter revenue increase of 7% compared to fourth quarter fiscal 2018 revenue of \$1,461,000;
- Non-cash stock-based compensation expense of \$343,000 contributing to net loss of \$299,000;
- Non-GAAP net income of \$44,000 before non-cash stock based compensation expense;
- 30% gross margin compared to 38% in the first quarter of fiscal 2018;
- \$2 million capital funding completed in October 2018.

Precision Optics’ CEO, Joseph Forkey, commented, “We are pleased with our first quarter revenue performance. In our fourth quarter earnings release, we anticipated a similar revenue level in the first quarter. We comfortably passed that expectation. Our margins were impacted by start-up costs relating to two key customer programs. This is not unusual as programs ramp to higher volumes, and we expect margins to return to recent higher levels in the near-term. We also had an unusually high level of non-cash stock-based compensation expense in the quarter due to the improvement in our stock price and recent compensation changes. Without the effects of these non-recurring stock-based compensation charges, we had a profitable quarter. As we work through the program start-up cost issues, we believe we are on track to substantially improve profitability, even before considering the impact of additional growth.”

Dr. Forkey continued, “The market for our technologies and products is strong. Demand for engineering services is robust, and we continue to add new programs to our engineering project pipeline. This is a very positive indicator of the long-term prospects for the business. Ongoing expansion of medical procedures in specialties that benefit from small size instruments, such as urology, cardiology, ophthalmology, neurology and others, are supporting an increasing market for our Microprecision™ products. The substantial increase in number and size of companies in the robotic surgery space is increasing interest in our 3D endoscope technology. In order to capitalize on these market opportunities, we raised \$2 million of capital in October. With these added resources, we will prudently invest in our business to increase our ability to capture more opportunities from these expanding markets, and to build engineering and production capacity to continue technology development and to efficiently handle greater production volumes from existing and new products. We believe that the recent transition of development projects into production, that has driven our recent increase in revenues, combined with these new initiatives, puts us in a strong position for long-term growth.”

The following table summarizes the first quarter results for the periods ended September 30, 2018 and 2017 (unaudited):

	<b>Three Months Ended September 30,</b>	
	<b>2018</b>	<b>2017</b>
Revenues	\$ 1,559,458	\$ 1,028,746
Gross Profit	462,507	386,742
Operating Expenses	761,287	415,011
Net Loss	(299,285)	(28,785)
Loss Per Share:		
Basic	\$ (0.03)	\$ 0.00
Diluted	\$ (0.00)	\$ 0.00
Weighted Average Common Shares Outstanding:		
Basic and Diluted	10,261,269	9,108,423

### **Quarterly Conference Call Details**

The Company has scheduled a conference call to discuss the fiscal first quarter 2019 financial results for Thursday, November 15, 2018 at 5:00 PM Eastern Time. To participate in the conference call, please dial 1-844-826-3042 toll free from the U.S., or 1-412-317-5187 for international callers, and ask to be connected to the Precision Optics conference call.

An audio replay of the conference call will be available approximately one hour after the conclusion of the call and will be made available until November 21, 2018. The audio replay can be accessed by dialing 1-877-344-7529 toll free from the U.S., or 1-412-317-0088 for international callers, and enter conference ID number 10126184.

### **About Precision Optics Corporation**

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 a broad range of customers including some of the largest global 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](http://www.poci.com). Investors can find Real-Time Quotes and market information for the Company on [www.otcmarkets.com/stock/PEYE/quote](http://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 to reflect events or circumstances after the date of this report, except as required by law.

Following are the Company's consolidated balance sheets as of September 30, 2018 and June 30, 2018, and statements of operations for the three months ended September 30, 2018 and 2017 and statements of cash flows for the three months ended September 30, 2018 and 2017 (unaudited):

**PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**(UNAUDITED)**

	<u>September 30,</u> <u>2018</u>	<u>June 30,</u> <u>2018</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 351,314	\$ 402,738
Accounts Receivable, net	655,720	796,923
Inventories, net	1,113,618	1,144,068
Prepaid Expenses	57,867	70,991
Total Current Assets	<u>2,178,519</u>	<u>2,414,720</u>
<b>PROPERTY AND EQUIPMENT</b>		
Machinery and Equipment	2,553,207	2,511,638
Leasehold Improvements	554,836	553,596
Furniture and Fixtures	148,303	148,303
	<u>3,256,346</u>	<u>3,213,537</u>
Less: Accumulated Depreciation and Amortization	(3,171,007)	(3,164,051)
Net Fixed Assets	<u>85,339</u>	<u>49,486</u>
Patents, net	<u>47,275</u>	<u>47,275</u>
TOTAL ASSETS	<u>\$ 2,311,133</u>	<u>\$ 2,511,481</u>
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
<b>CURRENT LIABILITIES</b>		
Current Portion of Capital Lease Obligation	\$ 9,111	\$ 8,962
Accounts Payable	963,581	703,538
Customer Advances	400,704	857,842
Accrued Employee Compensation	197,765	238,590
Accrued Professional Services	94,970	98,000
Accrued Warranty Expense	25,000	25,000
Other Accrued Liabilities	-	912
Total Current Liabilities	<u>1,691,131</u>	<u>1,932,844</u>
Capital Lease Obligation, net of current portion	<u>12,267</u>	<u>14,601</u>
<b>STOCKHOLDERS' EQUITY</b>		
Common Stock, \$0.01 par value - Authorized - 50,000,000 shares; Issued and Outstanding – 10,297,139 shares at September 30, 2018 and 10,197,139 shares at June 30, 2018	102,972	101,972
Additional Paid-in Capital	45,826,170	45,484,186
Accumulated Deficit	(45,321,407)	(45,022,122)
Total Stockholders' Equity	<u>607,735</u>	<u>564,036</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 2,311,133</u>	<u>\$ 2,511,481</u>

**PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE THREE MONTHS ENDED**  
**SEPTEMBER 30, 2018 AND 2017**  
**(UNAUDITED)**

	<b>Three Months Ended September 30,</b>	
	<b>2018</b>	<b>2017</b>
Revenues	\$ 1,559,458	\$ 1,028,746
Cost of Goods Sold	1,096,951	642,004
Gross Profit	462,507	386,742
Research and Development Expenses, net	100,798	118,427
Selling, General and Administrative Expenses	660,489	296,584
Total Operating Expenses	761,287	415,011
Operating Loss	(298,780)	(28,269)
Interest Expense	(505)	(516)
Net Loss	\$ (299,285)	\$ (28,785)
Loss Per Share:		
Basic	\$ (0.03)	\$ (0.00)
Diluted	\$ (0.03)	\$ (0.00)
Weighted Average Common Shares Outstanding:		
Basic	10,261,269	9,108,423
Diluted	10,261,269	9,108,423

**PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED**  
**SEPTEMBER 30, 2018 AND 2017**  
**(UNAUDITED)**

	<b>Three Months</b>	
	<b>Ended September 30,</b>	
	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Loss	\$ (299,285)	\$ (28,785)
Adjustments to Reconcile Net Loss to Net Cash Provided From (Used In)		
Operating Activities -		
Depreciation and Amortization	6,956	8,750
Stock-based Compensation Expense	342,984	26,057
Non-cash Consulting Expense	-	(7,425)
Changes in Operating Assets and Liabilities -		
Accounts Receivable, net	141,203	(145,413)
Inventories, net	30,450	88,162
Prepaid Expenses	13,124	4,591
Accounts Payable	260,043	5,381
Customer Advances	(457,138)	(57,642)
Accrued Liabilities	(44,767)	(25,322)
Net Cash Used In Operating Activities	<u>(6,430)</u>	<u>(131,646)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of Property and Equipment	(42,809)	-
Net Cash Used In Investing Activities	<u>(42,809)</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payment of Capital Lease Obligation	(2,185)	(2,046)
Gross Proceeds from Private Placement of Common Stock	-	210,001
Net Cash Provided From (Used In) Financing Activities	<u>(2,185)</u>	<u>207,955</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(51,424)	76,309
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>402,738</u>	<u>118,405</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 351,314</u>	<u>\$ 194,714</u>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING AND INVESTING ACTIVITIES:</b>		
Issuance of Common Stock in Settlement of Accounts Payable	\$ -	\$ 40,000
Offering Costs Included in Accounts Payable	<u>\$ -</u>	<u>\$ 2,963</u>