



## PRECISION OPTICS CORPORATION

22 EAST BROADWAY  
GARDNER, MASSACHUSETTS 01440-3338  
Telephone 978 / 630-1800  
Telefax 978 / 630-1487

### **NEWS RELEASE**

*POC18-0024*

FOR IMMEDIATE RELEASE

**Tuesday, May 15, 2018**

## **Precision Optics Corporation, Inc. Announces Operating Results for the Third Quarter and Nine Months of Fiscal Year 2018**

GARDNER, MA, May 15, 2018. Precision Optics Corporation, Inc. (OTCQB: PEYE) (the “Company”) today announced operating results on an unaudited basis for its fiscal year 2018 third quarter and nine months ended March 31, 2018.

Financial highlights include:

- **6% increase in nine month revenues:** \$2,577,000 nine month fiscal 2018 revenues compared to nine month 2017 revenues of \$2,434,000;
- **25% decrease in three month revenues:** \$736,000 third quarter fiscal 2018 revenues compared to \$983,000 in the third quarter of fiscal 2017;
- **Two production orders:** Prepared to start deliveries against two production orders totaling approximately \$2 million with deliveries beginning in fiscal 2018 fourth quarter;
- **Increased gross margins in Fiscal 2018:** 32% and 36% gross margins in fiscal 2018 third quarter and nine months, respectively, compared to 28% and 24% in the same periods of fiscal 2017.

Commenting on the third quarter results, Joseph Forkey, Company CEO said, “The decrease in third quarter fiscal 2018 revenues resulted from a reduction in engineering services revenues, while production revenues in the third quarter were up by 9% over the prior year. Overall, engineering service activity was strong in the third quarter with a similar number and size of engineering projects in process as compared to recent quarters. The reduction in revenue was due in part to timing of revenue recognition tied to specific phases of long-term projects. Improved gross margins throughout fiscal year 2018 compared to fiscal 2017 continued to demonstrate the efficiency of our operations and the optimized utilization of our production and engineering resources. Unfortunately, our operating expenses and net loss in the third quarter of fiscal year 2018 included \$88,750 of bad debt expense resulting from one slow-paying customer for engineering services. Collection issues with this customer also contributed to the reduction in engineering revenues recognized in the quarter.”

Dr. Forkey continued, “The long-range objective of our engineering projects is to assist our customers in their efforts to develop and market their medical devices and to ultimately provide us with long-term, ongoing production orders to manufacture those products. In the third quarter, we made good progress in our preparations to start shipping against manufacturing orders from two medical device customers totaling over \$2 million and spanning the next twelve to eighteen months, depending on the rate of success of their product introductions to the market. We have now begun, in the fiscal 2018 fourth quarter, regular, scheduled deliveries against both of these orders. Also, we recently began shipments to another customer, of a highly complex optical assembly, used in a defense application, against a new purchase order that represents the first production pilot build for this project, which has been in development for the last couple years. We believe that the success of these three projects in moving from development into production, combined with an ongoing robust engineering pipeline will result in increased revenues and improved financial performance in coming quarters.”

### **Quarterly Conference Call Details**

The Company has scheduled a conference call to discuss the fiscal third quarter 2018 financial results for Tuesday, May 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, Corp. 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 May 22, 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 entering Replay Access Code 10120255.

### **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.

### **Company Contact:**

Precision Optics Corporation  
22 East Broadway  
Gardner, Massachusetts, 01440-3338  
Telephone: 978-630-1800

### **Investor Contact:**

PCG Advisory Group  
Kirin M. Smith  
Chief Operating Officer  
Telephone: 646-863-6519  
Email: [Ksmith@PCGAdvisory.com](mailto:Ksmith@PCGAdvisory.com)  
Website: [www.PCGAdvisory.com](http://www.PCGAdvisory.com)

Following are the Company's consolidated balance sheets as of March 31, 2018 and June 30, 2017, and statements of operations for the three and nine months ended March 31, 2018 and 2017 and statements of cash flows for the nine months ended March 31, 2018 and 2017 (unaudited):

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

	<u>March 31,</u> <u>2018</u>	<u>June 30,</u> <u>2017</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 201,897	\$ 118,405
Accounts Receivable, net	579,165	468,548
Inventories, net	1,124,420	1,055,447
Prepaid Expenses	88,630	55,985
Total Current Assets	<u>1,994,112</u>	<u>1,698,385</u>
<b>PROPERTY AND EQUIPMENT</b>		
Machinery and Equipment	2,507,190	2,507,190
Leasehold Improvements	553,596	553,596
Furniture and Fixtures	148,303	148,303
	<u>3,209,089</u>	<u>3,209,089</u>
Less: Accumulated Depreciation and Amortization	(3,158,563)	(3,136,835)
Net Fixed Assets	<u>50,526</u>	<u>72,254</u>
Patents, net	<u>47,275</u>	<u>30,086</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,091,913</u>	<u>\$ 1,800,725</u>
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
<b>CURRENT LIABILITIES</b>		
Current Portion of Capital Lease Obligation	\$ 8,816	\$ 8,391
Accounts Payable	642,579	694,958
Customer Advances	621,341	180,137
Accrued Employee Compensation	159,975	189,783
Accrued Professional Services	75,500	71,000
Accrued Warranty Expense	25,000	25,000
Other Accrued Liabilities	56,100	49,512
Total Current Liabilities	<u>1,589,311</u>	<u>1,218,781</u>
Capital Lease Obligation, net of current portion	<u>16,897</u>	<u>23,564</u>
<b>STOCKHOLDERS' EQUITY</b>		
Common Stock, \$0.01 par value - Authorized - 50,000,000 shares; Issued and Outstanding – 10,095,139 shares at March 31, 2018 and 8,872,916 shares at June 30, 2017	100,952	88,729
Additional Paid-in Capital	45,423,867	45,140,383
Accumulated Deficit	(45,039,114)	(44,670,732)
Total Stockholders' Equity	<u>485,705</u>	<u>558,380</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 2,091,913</u>	<u>\$ 1,800,725</u>

**PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE THREE AND NINE MONTHS ENDED**  
**MARCH 31, 2018 AND 2017**  
**(UNAUDITED)**

	<b>Three Months</b>		<b>Nine Months</b>	
	<b>Ended March 31,</b>		<b>Ended March 31,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Revenues	\$ 735,597	\$ 983,186	\$ 2,577,116	\$ 2,434,324
Cost of Goods Sold	499,444	705,062	1,653,999	1,840,742
Gross Profit	<u>236,153</u>	<u>278,124</u>	<u>923,117</u>	<u>593,582</u>
Research and Development Expenses, net	126,365	122,313	334,823	358,520
Selling, General and Administrative Expenses	388,611	318,581	955,230	1,003,590
Gain on Sale of Assets	—	—	—	(1,515)
Total Operating Expenses	<u>514,976</u>	<u>440,894</u>	<u>1,290,053</u>	<u>1,360,595</u>
Operating Loss	(278,823)	(162,770)	(366,936)	(767,013)
Interest Expense	<u>(448)</u>	<u>(583)</u>	<u>(1,446)</u>	<u>(1,843)</u>
Net Loss	<u>(279,271)</u>	<u>(163,353)</u>	<u>(368,382)</u>	<u>(768,856)</u>
Loss Per Share:				
Basic	<u>\$ (0.03)</u>	<u>\$ (0.02)</u>	<u>\$ (0.04)</u>	<u>\$ (0.09)</u>
Diluted	<u>\$ (0.03)</u>	<u>\$ (0.02)</u>	<u>\$ (0.04)</u>	<u>\$ (0.09)</u>
Weighted Average Common Shares Outstanding:				
Basic	<u>10,095,139</u>	<u>8,872,916</u>	<u>9,724,904</u>	<u>8,167,320</u>
Diluted	<u>10,095,139</u>	<u>8,872,916</u>	<u>9,724,904</u>	<u>8,167,320</u>

**PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED**  
**MARCH 31, 2018 AND 2017**  
**(UNAUDITED)**

	<b>Nine Months Ended March 31,</b>	
	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Loss	\$ (368,382)	\$ (768,856)
Adjustments to Reconcile Net Loss to Net Cash Used In Operating Activities -		
Depreciation and Amortization	21,728	24,909
Gain on Sale of Assets	-	(1,515)
Stock-based Compensation Expense	42,002	154,743
Non-cash Consulting Expense	6,588	13,500
Bad Debt Expense	113,750	(18,377)
Changes in Operating Assets and Liabilities -		
Accounts Receivable, net	(224,367)	234,835
Inventories, net	(68,973)	10,229
Prepaid Expenses	(32,645)	(14,225)
Accounts Payable	(12,379)	(229,445)
Customer Advances	441,204	69,421
Accrued Liabilities	(25,308)	(107,143)
Net Cash Used In Operating Activities	(106,782)	(631,924)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additional Patent Costs	(17,189)	(5,848)
Purchases of Property and Equipment	-	(27,719)
Proceeds from Sale of Assets	-	1,515
Net Cash Used In Investing Activities	(17,189)	(32,052)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payment of Capital Lease Obligation	(6,242)	(5,844)
Gross Proceeds from Private Placement of Common Stock	210,001	780,000
Gross Proceeds from Exercise of Stock Purchase Warrants	6,667	-
Private Placement Expense Paid	(2,963)	(1,650)
Net Cash Provided From Financing Activities	207,463	772,506
NET INCREASE IN CASH AND CASH EQUIVALENTS	83,492	108,530
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	118,405	50,059
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 201,897	\$ 158,589
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash Paid for Income Taxes	\$ 912	\$ 912
<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	\$ -	\$ 22,296