



PRECISION OPTICS CORPORATION

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

NEWS RELEASE

POC18-0006

FOR IMMEDIATE RELEASE

Wednesday, February 14, 2018

Precision Optics Corporation, Inc. Announces Operating Results for the Second Quarter and Six Months of Fiscal Year 2018

GARDNER, MA, February 14, 2018. Precision Optics Corporation, Inc. (OTCQB: PEYE) (the “Company”) today announced operating results on an unaudited basis for its fiscal year 2018 second quarter and six months ended December 31, 2017.

Financial highlights include:

- **35% increase in quarterly revenues:** \$813,000 second quarter fiscal 2018 revenues compared to \$602,000 in the second quarter of fiscal 2017;
- **27% increase in six month revenues:** \$1,841,000 six month fiscal 2018 revenues compared to six month 2017 revenues of \$1,451,000;
- **Increased gross margins in Fiscal 2018:** 37% gross margin in fiscal 2018 second quarter and six months, compared to 25% and 22% in fiscal 2017 second quarter and six months, respectively;
- **Reduced net loss in Fiscal 2018:** Second quarter and six months fiscal 2018 net loss of \$60,000 and \$89,000, respectively, compared to \$312,000 and \$605,000 in fiscal 2017 second quarter and six months, respectively.

Commenting on the second quarter results, Joseph Forkey, Company CEO said, “Continued strength in our financial performance at current sales levels reinforces our confidence that the Company will achieve improved operational results when increasing manufacturing orders raise overall revenue levels. Our focus on controlling costs, optimizing the use of resources and maximizing production yields is reflected in increased revenues and gross margins with simultaneous reductions in operating expenses and net losses in both the quarter and six months ended December 31, 2017.”

Dr. Forkey continued, “Our sustained pipeline of engineering design projects calls upon our many unique technical capabilities including Microprecision™ micro-optics, custom design of medical grade cameras and endoscopes, CMOS imaging systems, illumination technologies, and 3D endoscopes. We are pleased to report that a number of engineering projects are transitioning to production, and we have now received production orders from three existing customers totaling over \$2.1 Million with deliveries scheduled over the next eighteen months. Each of these three products utilizes our proprietary Microprecision™ technologies, and should significantly contribute to increasing revenues and continuously improving operational results in coming quarters.”

Quarterly Conference Call Details

The Company has scheduled a conference call to discuss the fiscal Second quarter 2018 financial results for Wednesday, February 14, 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 February 28, 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 10116867.

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. 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 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
Website: www.PCGAdvisory.com

Following are the Company's consolidated balance sheets as of December 31, 2017 and June 30, 2017, and statements of operations for the three and six months ended December 31, 2017 and 2016 and statements of cash flows for the six months ended December 31, 2017 and 2016 (unaudited):

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

	<u>December 31,</u> <u>2017</u>	<u>June 30,</u> <u>2017</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 381,752	\$ 118,405
Accounts Receivable, net	753,152	468,548
Inventories, net	987,791	1,055,447
Prepaid Expenses	78,432	55,985
Total Current Assets	<u>2,201,127</u>	<u>1,698,385</u>
PROPERTY AND EQUIPMENT		
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	(3,152,639)	(3,136,835)
Net Fixed Assets	<u>56,450</u>	<u>72,254</u>
Patents, net	<u>47,275</u>	<u>30,086</u>
TOTAL ASSETS	<u>\$ 2,304,852</u>	<u>\$ 1,800,725</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
CURRENT LIABILITIES		
Current Portion of Capital Lease Obligation	\$ 8,672	\$ 8,391
Accounts Payable	699,507	694,958
Customer Advances	463,289	180,137
Accrued Employee Compensation	179,601	189,783
Accrued Professional Services	107,500	71,000
Accrued Warranty Expense	25,000	25,000
Other Accrued Liabilities	46,125	49,512
Total Current Liabilities	<u>1,529,694</u>	<u>1,218,781</u>
Capital Lease Obligation, net of current portion	<u>19,156</u>	<u>23,564</u>
STOCKHOLDERS' EQUITY		
Common Stock, \$0.01 par value - Authorized - 50,000,000 shares; Issued and Outstanding – 10,095,139 shares at December 31, 2017 and 8,872,916 shares at June 30, 2017	100,952	88,729
Additional Paid-in Capital	45,414,893	45,140,383
Accumulated Deficit	(44,759,843)	(44,670,732)
Total Stockholders' Equity	<u>756,002</u>	<u>558,380</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 2,304,852</u>	<u>\$ 1,800,725</u>

PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND SIX MONTHS ENDED
DECEMBER 31, 2017 AND 2016
(UNAUDITED)

	Three Months		Six Months	
	Ended December 31,		Ended December 31,	
	2017	2016	2017	2016
Revenues	\$ 812,773	\$ 601,590	\$ 1,841,519	\$ 1,451,138
Cost of Goods Sold	<u>512,551</u>	<u>453,183</u>	<u>1,154,555</u>	<u>1,135,680</u>
Gross Profit	<u>300,222</u>	<u>148,407</u>	<u>686,964</u>	<u>315,458</u>
Research and Development Expenses, net	90,031	119,215	208,458	236,207
Selling, General and Administrative Expenses	270,035	342,487	566,619	686,269
Gain on Sale of Assets	<u>-</u>	<u>(1,200)</u>	<u>-</u>	<u>(1,515)</u>
Total Operating Expenses	<u>360,066</u>	<u>460,502</u>	<u>775,077</u>	<u>920,961</u>
Operating Loss	(59,844)	(312,095)	(88,113)	(605,503)
Interest Expense	<u>(482)</u>	<u>-</u>	<u>(998)</u>	<u>-</u>
Net Loss	<u>(60,326)</u>	<u>(312,095)</u>	<u>(89,111)</u>	<u>(605,503)</u>
Loss Per Share:				
Basic	<u>\$ (0.01)</u>	<u>\$ (0.04)</u>	<u>\$ (0.01)</u>	<u>\$ (0.08)</u>
Diluted	<u>\$ (0.01)</u>	<u>\$ (0.04)</u>	<u>\$ (0.01)</u>	<u>\$ (0.08)</u>
Weighted Average Common Shares Outstanding:				
Basic	<u>9,979,197</u>	<u>8,104,800</u>	<u>9,543,810</u>	<u>7,822,191</u>
Diluted	<u>9,979,197</u>	<u>8,104,800</u>	<u>9,543,810</u>	<u>7,822,191</u>

PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED
DECEMBER 31, 2017 AND 2016
(UNAUDITED)

	Six Months	
	Ended December 31,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	\$ (89,111)	\$ (605,503)
Adjustments to Reconcile Net Loss to Net Cash Provided From (Used In)		
Operating Activities -		
Depreciation and Amortization	15,804	16,019
Gain on Sale of Assets	-	(1,515)
Stock-based Compensation Expense	33,028	110,433
Non-cash Consulting Expense	(3,387)	17,400
Changes in Operating Assets and Liabilities -		
Accounts Receivable, net	(284,604)	308,293
Inventories, net	67,656	35,560
Prepaid Expenses	(22,447)	(5,915)
Accounts Payable	41,586	(168,433)
Customer Advances	283,152	37,100
Accrued Liabilities	26,318	(22,880)
Net Cash Provided From (Used In) Operating Activities	<u>67,995</u>	<u>(279,441)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additional Patent Costs	(17,189)	(5,848)
Purchases of Property and Equipment	-	(25,843)
Proceeds from Sale of Assets	-	1,515
Net Cash Used In Investing Activities	<u>(17,189)</u>	<u>(30,176)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of Capital Lease Obligation	(4,127)	(3,864)
Gross Proceeds from Private Placement of Common Stock	210,001	780,000
Gross Proceeds from Exercise of Stock Purchase Warrants	6,667	-
Net Cash Provided From Financing Activities	<u>212,541</u>	<u>776,136</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	263,347	466,519
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>118,405</u>	<u>50,059</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 381,752</u>	<u>\$ 516,578</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING AND INVESTING ACTIVITIES:		
Issuance of Common Stock in Settlement of Accounts Payable	<u>\$ 40,000</u>	<u>\$ -</u>
Offering Costs Included in Accounts Payable	<u>\$ 2,963</u>	<u>\$ -</u>