



PRECISION OPTICS CORPORATION

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NEWS RELEASE

POC19-0049

FOR IMMEDIATE RELEASE

Thursday, November 14, 2019

Precision Optics Reports First Quarter Fiscal Year 2020 Financial Results

Conference Call Scheduled for today, November 14, 2019 at 5:00pm ET

GARDNER, MA, November 14, 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 first quarter fiscal year ended September 30, 2019.

First quarter fiscal 2020 highlights:

- Revenue for the quarter (ended September 30, 2019) was \$2.5 million compared to \$1.6 million in the same quarter of the previous fiscal year, an increase of 61% driven primarily by Ross Optical operating as a division of Precision Optics.
- Gross margins of 39% compared to 30% in the same quarter of the prior year, and sequentially improved for the third consecutive quarter.
- Net loss of \$86,000 during the quarter included \$122,000 of stock-based compensation and service fees.

Precision Optics' CEO, Joseph Forkey, commented, "The first quarter financial results highlight the positive impact of our evolving capabilities, which now include Ross Optical, resulting in a year-over-year revenue increase of 61% and positive operating cash flow. During the quarter, we continued deliveries of the three products that went into commercial level production last year and we expect our expanding pipeline of Precision Optics-enabled products to allow for ongoing growth. Our business strategy of enabling leading medical device companies around the world to meet the increasing demands of the surgical community, who are requiring more enhanced and smaller imaging systems for minimally invasive surgery, as well as the rapid proliferation of 3D endoscopes for surgical robotic systems, continues to gain traction."

Dr. Forkey continued, "As we look to the remainder of fiscal 2020, we expect growth from the production of currently commercialized products while continuing to advance our pipeline of engineering projects toward commercialization. Further, we look to build upon the improvements we achieved during the first quarter, where overall gross margins were 39% compared to 30% a year ago. We are working to improve gross margins on our base business and are benefitting from the higher margin profile of Ross Optical. Overall, we maintain a disciplined investment strategy in sales and marketing and engineering capabilities to fuel growth while generating positive cash flows."

The following table summarizes the first quarter (unaudited) results for the periods ended September 30, 2019 and 2018:

	Three Months Ended September 30,	
	2019	2018
Revenues	\$ 2,514,984	\$ 1,559,458
Gross Profit	674,117	462,507
Operating Expenses	1,059,999	761,287
Net Loss	(86,110)	(299,285)
Loss Per Share:		
Basic and Diluted	<u>\$ (0.01)</u>	<u>\$ (0.03)</u>
Weighted Average Common Shares Outstanding:		
Basic and Diluted	<u>12,832,389</u>	<u>10,261,269</u>

Conference Call Details

The Company has scheduled a conference call to discuss the first quarter 2020 financial results for Thursday, November 14, 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/2109/32176>.

Replay: A teleconference replay of the call will be available until November 21, 2019 at (877) 344-7529 or (412) 317-0088 confirmation #10136579. A webcast replay will be available at <https://www.webcaster4.com/Webcast/Page/2109/32176>.

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.otcm Markets.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 September 30, 2019 and June 30, 2019, and Statements of Operations, Stockholders' Equity and Cash Flows for the three month periods ended September 30, 2019 and 2018:

PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<u>ASSETS</u>	<u>September 30, 2019</u>	<u>June 30, 2019</u>
Current Assets:		
Cash and cash equivalents	\$ 849,135	\$ 2,288,426
Accounts receivable (net of allowance for doubtful accounts of \$246,201 and \$246,953 at September 30, 2019 and June 30, 2019, respectively)	1,645,765	2,165,107
Inventories	2,071,852	1,734,604
Prepaid expenses	181,106	180,336
Total current assets	<u>4,747,858</u>	<u>6,368,473</u>
Fixed Assets:		
Machinery and equipment	2,755,076	2,748,715
Leasehold improvements	683,970	668,446
Furniture and fixtures	168,450	168,450
	<u>3,607,496</u>	<u>3,585,611</u>
Less—Accumulated depreciation and amortization	<u>3,225,525</u>	<u>3,202,605</u>
Net fixed assets	<u>381,971</u>	<u>383,006</u>
Operating lease right-to-use asset	158,690	-
Patents, net	60,841	54,087
Goodwill	<u>687,664</u>	<u>687,664</u>
TOTAL ASSETS	<u><u>\$ 6,037,024</u></u>	<u><u>\$ 7,493,230</u></u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current Liabilities:		
Current portion of capital lease obligation	\$ 9,731	\$ 9,572
Accounts payable	1,036,188	1,174,263
Customer advances	513,623	450,192
Accrued compensation and other	370,296	533,944
Amount due for business acquisition	-	1,443,341
Operating lease liability	54,310	-
Total current liabilities	<u>1,984,148</u>	<u>3,611,312</u>
Capital lease obligation, net of current portion	2,535	5,027
Acquisition earn out liability	500,000	500,000
Operating lease liability	104,380	-
Stockholders' Equity:		
Common stock, \$0.01 par value: 50,000,000 shares authorized; issued and outstanding – 12,868,639 shares at September 30, 2019 and 12,071,139 shares at June 30, 2019	128,687	120,712
Additional paid-in capital	49,040,377	48,893,172
Accumulated deficit	<u>(45,723,103)</u>	<u>(45,636,993)</u>
Total stockholders' equity	<u>3,445,961</u>	<u>3,376,891</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u><u>\$ 6,037,024</u></u>	<u><u>\$ 7,493,230</u></u>

PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED SEPTEMBER 30,

	Three Months	
	Ended September 30,	
	2019	2018
Revenues	\$ 2,514,984	\$ 1,559,458
Cost of Goods Sold	<u>1,540,867</u>	<u>1,096,951</u>
Gross Profit	<u>974,117</u>	<u>462,507</u>
Research and Development Expenses, net	152,154	100,798
Selling, General and Administrative Expenses	<u>907,845</u>	<u>660,489</u>
Total Operating Expenses	<u>1,059,999</u>	<u>761,287</u>
Operating Loss	(85,882)	(298,780)
Interest Expense	<u>(228)</u>	<u>(505)</u>
Net Loss	<u>\$ (86,110)</u>	<u>\$ (299,285)</u>
Loss Per Share:		
Basic and Diluted	<u>\$ (0.01)</u>	<u>\$ (0.03)</u>
Weighted Average Common Shares Outstanding:		
Basic and Diluted	<u>12,832,389</u>	<u>10,261,269</u>

PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED SEPTEMBER 30,

	Three Month Period Ended September 30, 2019				
	Number of Shares	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
Balance, July 1, 2019	12,071,139	\$ 120,712	\$ 48,893,172	\$ (45,636,993)	\$ 3,376,891
Issuance of common stock in private placement	760,000	7,600	17,400	-	25,000
Proceeds from exercise of stock options	12,500	125	8,550	-	8,675
Issuance of common stock for services	25,000	250	44,750	-	45,000
Stock-based compensation	-	-	76,505	-	76,505
Net loss	-	-	-	(86,110)	(86,110)
Balance, September 30, 2019	<u>12,868,639</u>	<u>\$ 128,687</u>	<u>\$49,040,377</u>	<u>\$ (45,723,103)</u>	<u>\$ 3,445,961</u>

	Three Month Period Ended September 30, 2018				
	Number of Shares	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
Balance, July 1, 2018	10,197,139	\$ 101,972	\$ 45,484,186	\$ (45,022,122)	\$ 564,036
Issuance of common stock for services	100,000	1,000	(1,000)	-	-
Stock-based compensation	-	-	342,984	-	342,984
Net loss	-	-	-	(299,285)	(299,285)
Balance, September 30, 2018	<u>10,297,139</u>	<u>\$ 102,972</u>	<u>\$45,826,170</u>	<u>\$ (45,321,407)</u>	<u>\$ 607,735</u>

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED SEPTEMBER 30,**

	Three Months Ended September 30,	
	2019	2018
Cash Flows from Operating Activities:		
Net Loss	\$ (86,110)	\$ (299,285)
Adjustments to reconcile net loss to net cash provided from (used in) operating activities -		
Depreciation and amortization	22,920	6,956
Stock-based compensation expense	76,505	342,984
Non-cash consulting expense	45,000	-
Changes in operating assets and liabilities -		
Accounts receivable, net	519,342	141,203
Inventories, net	(337,248)	30,450
Prepaid expenses	(770)	13,124
Accounts payable	(138,075)	260,043
Customer advances	63,431	(457,138)
Accrued liabilities	(163,648)	(44,767)
Net cash provided by (used in) operating activities	1,347	(6,430)
Cash Flows from Investing Activities:		
Cash paid for business acquisition	(1,443,341)	-
Purchases of fixed assets	(21,885)	(42,809)
Additional patent costs	(6,754)	-
Net cash used in investing activities	(1,471,980)	(42,809)
Cash Flows from Financing Activities:		
Payment of capital lease obligation	(2,333)	(2,185)
Gross proceeds from exercise of stock options	8,675	-
Gross Proceeds from private placement of common stock	25,000	-
Net cash provided from (used in) financing activities	31,342	(2,185)
Net decrease in cash and cash equivalents	(1,439,291)	(51,424)
Cash and cash equivalents, beginning of period	2,288,426	402,738
Cash and cash equivalents, end of period	\$ 849,135	\$ 351,314
Supplemental disclosure of non-cash financing activities:		
Offering costs included in accrued compensation and other	\$ 12,250	\$ -