



## PRECISION OPTICS CORPORATION

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***NEWS RELEASE***

***POC15-0008***

FOR IMMEDIATE RELEASE

**Tuesday, February 17, 2015**

### **Precision Optics Corporation, Inc. Announces Operating Results for the Second Quarter and Six Months of Fiscal Year 2015**

GARDNER, MA February 17, 2015. Precision Optics Corporation, Inc. (OTCQB: PEYE) (the "Company") today announced operating results on an unaudited basis for its second quarter and six months ended December 31, 2014, of fiscal year 2015.

Second quarter highlights include:

- Revenues of \$977 thousand, representing a nearly 18% increase over the first quarter of fiscal 2015, and a 3% decline over the second quarter of fiscal 2014;
- Gross margin of 16.6%, an improvement compared to 13.5% in the first quarter of fiscal 2015;
- Delivery of first 3D video adapter manufactured exclusively by POC for Sony Electronics' Medical Systems Division;
- Company responding to increasing interest in Microprecision™ optics and their use in reusable and single-use medical devices.

Precision Optics' CEO Joseph Forkey commented, "The second quarter of our fiscal year marked further progress in our growth and development. Demand for smaller and smaller medical devices continues to grow and our organization is engaged in development projects with several existing and new customers based on our proprietary technology for design and manufacture of micro optics. Minimally invasive surgical procedures will continue to expand and our design and optics capabilities can improve existing procedures and help facilitate new ones.

Dr. Forkey continued, "Our margins improved from the previous quarter. Improving gross margins and driving the business to profitability are near-term goals. We are balancing those needs with continued investment to develop and improve technologies, expand our sales efforts, and broaden customer reach. We are confident we have world class engineering and manufacturing and are focused on the execution of our overall business strategy."

#### **Quarterly Conference Call Details**

The Company has scheduled a conference call to discuss the fiscal second quarter 2015 financial results for today at 4:30 PM Eastern. To participate in the conference call, please dial 1-866-652-5200 toll free from the U.S., or 1-412-317-6060, 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 May 18, 2015. The audio replay can be accessed by dialing 1-412-317-0088 locally or 1-877-344-7529, toll free then enter conference ID number 10060898.

#### **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 December 31, 2014 and June 30, 2014, and statements of operations for the three months and six months ended December 31, 2014 and December 31, 2013 and statements of cash flows for the six months ended December 31, 2014 and December 31, 2013 (unaudited):

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

	<u>December 31,</u> <u>2014</u>	<u>June 30,</u> <u>2014</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 385,167	\$ 202,380
Accounts Receivable, net	687,443	531,049
Inventories, net	1,221,748	988,878
Prepaid Expenses	109,508	91,922
Total Current Assets	<u>2,403,866</u>	<u>1,814,229</u>
<b>PROPERTY AND EQUIPMENT</b>		
Machinery and Equipment	2,426,380	2,368,709
Leasehold Improvements	553,596	553,596
Furniture and Fixtures	148,303	148,303
Vehicles	19,674	19,674
	<u>3,147,953</u>	<u>3,090,282</u>
Less: Accumulated Depreciation	<u>(3,084,610)</u>	<u>(3,075,722)</u>
Net Property and Equipment	<u>63,343</u>	<u>14,560</u>
Patents, net	<u>16,942</u>	<u>7,672</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,484,151</u>	<u>\$ 1,836,461</u>
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 988,868	\$ 715,192
Customer Advances	100,000	26,200
Accrued Employee Compensation	238,442	200,207
Accrued Professional Services	33,610	60,250
Accrued Warranty Expense	25,000	25,000
Other Accrued Liabilities	17,390	69,028
Total Current Liabilities	<u>1,403,310</u>	<u>1,095,877</u>
<b>STOCKHOLDERS' EQUITY (DEFICIT)</b>		
Common Stock, \$0.01 par value - Authorized - 50,000,000 shares; Issued and Outstanding - 6,262,584 shares at December 31, 2014 and 4,455,134 shares at June 30, 2014	62,626	44,551
Additional Paid-in Capital	43,086,594	42,146,750
Accumulated Deficit	<u>(42,068,379)</u>	<u>(41,450,717)</u>
Total Stockholders' Equity (Deficit)	<u>1,080,841</u>	<u>740,584</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>	<u>\$ 2,484,151</u>	<u>\$ 1,836,461</u>

**PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE THREE AND SIX MONTHS ENDED**  
**DECEMBER 31, 2014 AND 2013**  
**(UNAUDITED)**

	<b>Three Months</b>		<b>Six Months</b>	
	<b>Ended December 31,</b>		<b>Ended December 31,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Revenues	\$ 976,548	\$ 1,007,717	\$ 1,807,262	\$ 1,915,143
Cost of Goods Sold	814,036	802,301	1,532,612	1,449,493
Gross Profit	162,512	205,416	274,650	465,650
Research and Development Expenses, net	138,893	92,142	215,605	227,055
Selling, General and Administrative Expenses	346,770	366,874	693,917	702,916
Gain on Sale of Assets	(1,928)	(1,147)	(17,210)	(1,147)
Total Operating Expenses	483,735	457,869	892,312	928,824
Net Loss	(321,223)	(252,453)	(617,662)	(463,174)
Loss Per Share:				
Basic	\$ (0.05)	\$ (0.06)	\$ (0.10)	\$ (0.10)
Diluted	\$ (0.05)	\$ (0.06)	\$ (0.10)	\$ (0.10)
Weighted Average Common Shares Outstanding:				
Basic	6,262,584	4,455,134	6,195,793	4,455,134
Diluted	6,262,584	4,455,134	6,195,793	4,455,134

**PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED**  
**DECEMBER 31, 2014 AND 2013**  
**(UNAUDITED)**

	<b>Six Months Ended December 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Loss	\$ (617,662)	\$ (463,174)
Adjustments to Reconcile Net Loss to Net Cash Used In Operating Activities -		
Depreciation and Amortization	8,888	13,375
Gain on Sale of Assets	(17,210)	(1,147)
Stock-based Compensation Expense	40,125	67,216
Non-cash Consulting Expense	18,000	-
Changes in Operating Assets and Liabilities -		
Accounts Receivable, net	(156,394)	(240,051)
Inventories	(232,870)	124,722
Prepaid Expenses	(17,586)	(14,749)
Accounts Payable	233,736	100,860
Customer Advances	73,800	(30,979)
Accrued Expenses	6,972	(5,695)
Net Cash Used In Operating Activities	(660,201)	(449,622)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additional Patent Costs	(9,270)	(8,524)
Purchases of Property and Equipment	(57,671)	-
Proceeds from Sale of Assets	17,210	1,147
Net Cash Used In Investing Activities	(49,731)	(7,377)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Gross Proceeds from July 2014 Private Placement of Common Stock	980,291	-
Private Placement Expenses Incurred and Paid as of December 31, 2014	(87,572)	-
Net Cash Provided by Financing Activities	892,719	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	182,787	(456,999)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	202,380	1,034,587
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 385,167	\$ 577,588
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash Paid for Income Taxes	\$ 912	\$ 912
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES:</b>		
Issuance of 90,298 Shares of Common Stock to Consultants	\$ 65,015	\$ -
Private Placement Expenses Incurred But Not Yet Paid as of December 31, 2014	\$ 39,940	\$ -