



PRECISION OPTICS CORPORATION

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NEWS RELEASE

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FOR IMMEDIATE RELEASE

Thursday, May 14, 2015

Precision Optics Corporation, Inc. Announces Operating Results for the Third Quarter and Nine Months of Fiscal Year 2015

GARDNER, MA May 14, 2015. Precision Optics Corporation, Inc. (OTCQB: PEYE) (the “Company”) today announced operating results on an unaudited basis for its third quarter and nine months ended March 31, 2015, of fiscal year 2015.

Third quarter highlights include:

- Revenues of \$1.142 million, representing a 17% sequential increase over the second quarter of fiscal 2015, and a 37% increase over the third quarter of fiscal 2014;
- Gross margin of 27.4%, an improvement compared to 16.6% in the second quarter of fiscal 2015;
- Company responding to increasing interest in Microprecision™ optics and their use in reusable and single-use medical devices.

Commenting on the quarter’s results, Precision Optics’ CEO Joseph Forkey said, “We continue to see solid demand for our traditional products as well as early market acceptance of products based on our latest technology. Our third quarter revenues were the highest in over ten years. Our gross margin percentage was significantly higher than recent quarters. While some of this increase in margin is due to efficiencies of scale, much is also due to our focus over the last six months on increased manufacturing efficiencies, especially as we bring new products into production. We are maintaining this focus and broadening our efforts to drive higher margins.”

Dr. Forkey concluded, “Looking forward, we continue to see a strong pipeline of opportunities, particularly in the area of micro-optics and micro-assemblies based on optics designed specifically for small CMOS-based medical camera systems. Working with major partners, we have now developed a next-generation CMOS-based medical camera which has the highest resolution of any camera with diameter in the 1 – 2 mm range. We look forward to demonstrating this new innovation at the Medical Design and Manufacturing (MD&M) exhibit which will be held in New York City, June 9 – 11, 2015. We are expanding our go-to-market efforts to ensure both large established medical device companies and small, emerging technology players see the value our newest products can offer.”

Quarterly Conference Call Details

The Company has scheduled a conference call to discuss the fiscal third 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 August 13, 2015. The audio replay can be accessed by dialing 1-877-344-7529 toll free from the US or 1-412-317-0088, and then the replay access code of 10065931.

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.

Following are the Company's consolidated balance sheets as of March 31, 2015 and June 30, 2014, and statements of operations for the three and nine months ended March 31, 2015 and 2014 and statements of cash flows for the nine months ended March 31, 2015 and 2014 (unaudited):

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

	<u>March 31,</u> <u>2015</u>	<u>June 30,</u> <u>2014</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 283,275	\$ 202,380
Accounts Receivable, net	542,473	531,049
Inventories, net	1,248,742	988,878
Prepaid Expenses	70,826	91,922
Total Current Assets	<u>2,145,316</u>	<u>1,814,229</u>
PROPERTY AND EQUIPMENT		
Machinery and Equipment	2,428,682	2,368,709
Leasehold Improvements	553,596	553,596
Furniture and Fixtures	148,303	148,303
Vehicles	19,674	19,674
	<u>3,150,255</u>	<u>3,090,282</u>
Less: Accumulated Depreciation	<u>(3,090,684)</u>	<u>(3,075,722)</u>
Net Property and Equipment	<u>59,571</u>	<u>14,560</u>
Patents, net	<u>18,644</u>	<u>7,672</u>
TOTAL ASSETS	<u><u>\$ 2,223,531</u></u>	<u><u>\$ 1,836,461</u></u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
CURRENT LIABILITIES		
Accounts Payable	\$ 866,706	\$ 715,192
Customer Advances	100,600	26,200
Accrued Employee Compensation	234,779	200,207
Accrued Professional Services	59,052	60,250
Accrued Warranty Expense	25,000	25,000
Other Accrued Liabilities	23,034	69,028
Total Current Liabilities	<u>1,309,171</u>	<u>1,095,877</u>
STOCKHOLDERS' EQUITY		
Common Stock, \$0.01 par value - Authorized - 50,000,000 shares; Issued and Outstanding -6,344,806 shares at March 31, 2015 and 4,455,134 shares at June 30, 2014	63,448	44,551
Additional Paid-in Capital	43,117,175	42,146,750
Accumulated Deficit	<u>(42,266,263)</u>	<u>(41,450,717)</u>
Total Stockholders' Equity	<u>914,360</u>	<u>740,584</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u><u>\$ 2,223,531</u></u>	<u><u>\$ 1,836,461</u></u>

PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED
MARCH 31, 2015 AND 2014
(UNAUDITED)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2015	2014	2015	2014
Revenues	\$ 1,141,892	\$ 833,451	\$ 2,949,154	\$ 2,748,594
Cost of Goods Sold	828,963	644,219	2,361,575	2,093,712
Gross Profit	<u>312,929</u>	<u>189,232</u>	<u>587,579</u>	<u>654,882</u>
Research and Development Expenses, net	140,177	132,957	355,782	360,012
Selling, General and Administrative Expenses	410,549	443,220	1,104,466	1,146,136
Gain on Sale of Assets	(691)	(6,511)	(17,901)	(7,658)
Total Operating Expenses	<u>550,035</u>	<u>569,666</u>	<u>1,442,347</u>	<u>1,498,490</u>
Operating Loss	(237,106)	(380,343)	(854,768)	(843,608)
Other Income	39,222	-	39,222	-
Net Loss	<u>(197,884)</u>	<u>(380,434)</u>	<u>(815,546)</u>	<u>(843,608)</u>
Loss Per Share:				
Basic	<u>\$ (0.03)</u>	<u>\$ (0.09)</u>	<u>\$ (0.13)</u>	<u>\$ (0.19)</u>
Diluted	<u>\$ (0.03)</u>	<u>\$ (0.09)</u>	<u>\$ (0.13)</u>	<u>\$ (0.19)</u>
Weighted Average Common Shares Outstanding:				
Basic	<u>6,334,757</u>	<u>4,455,134</u>	<u>6,241,438</u>	<u>4,455,134</u>
Diluted	<u>6,334,757</u>	<u>4,455,134</u>	<u>6,241,438</u>	<u>4,455,134</u>

PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED
MARCH 31, 2015 AND 2014
(UNAUDITED)

	Nine Months Ended March 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	\$ (815,546)	\$ (843,608)
Adjustments to Reconcile Net Loss to Net Cash Used In Operating Activities -		
Depreciation and Amortization	14,962	16,842
Gain on Sale of Assets	(17,901)	(7,658)
Stock-based Compensation Expense	42,750	108,924
Non-cash Consulting Expense	38,625	73,898
Non-cash Gain on Settlement of Liabilities by Issuing Common Stock	(39,222)	-
Changes in Operating Assets and Liabilities -		
Accounts Receivable, net	(11,424)	(203,211)
Inventories	(259,864)	(24,036)
Prepaid Expenses	21,096	(42,299)
Accounts Payable	165,514	254,295
Customer Advances	74,400	(10,262)
Accrued Expenses	61,770	8,257
Net Cash Used In Operating Activities	<u>(724,840)</u>	<u>(668,858)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additional Patent Costs	(10,972)	(8,524)
Purchases of Property and Equipment	(59,973)	-
Proceeds from Sale of Assets	17,901	7,658
Net Cash Used In Investing Activities	<u>(53,044)</u>	<u>(866)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Gross Proceeds from July 2014 Private Placement of Common Stock	980,291	-
Private Placement Expenses Incurred and Paid as of March 31, 2015	(121,512)	-
Net Cash Provided by Financing Activities	<u>858,779</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	80,895	(669,724)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>202,380</u>	<u>1,034,587</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 283,275</u>	<u>\$ 364,863</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Paid for Income Taxes	<u>\$ 912</u>	<u>\$ 912</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES:		
Issuance of 172,520 Shares of Common Stock for Services Rendered to the Company	<u>\$ 93,793</u>	<u>\$ -</u>
Private Placement Expenses Incurred But Not Yet Paid as of March 31, 2015	<u>\$ 6,000</u>	<u>\$ -</u>