



PRECISION OPTICS CORPORATION

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NEWS RELEASE

POC15-0202

FOR IMMEDIATE RELEASE

Tuesday, October 13, 2015

Precision Optics Corporation, Inc. Announces Operating Results for the Fourth Quarter and Fiscal Year Ended June 30, 2015

GARDNER, MA, October 13, 2015. Precision Optics Corporation, Inc. (OTCQB: PEYE) (the “Company”) today announced operating results on an unaudited basis for its fourth quarter ended June 30, 2015.

Fourth quarter highlights include:

- Revenues of \$963 thousand, representing a 6.7% increase over the fourth quarter of fiscal 2014;
- Gross margin of 21.9%, an improvement compared to 16.2% in the fourth quarter of fiscal 2014;

Fiscal year highlights include:

- Revenues of \$3.9 million, representing a 7.1% increase over fiscal 2014, the third consecutive year of increasing revenues, and the highest revenues in over ten years;
- Increase in engineering / design projects using Company’s Microprecision™ optics for reusable and single-use medical devices.

Precision Optics’ CEO, Joseph Forkey, commented, “We continue to make significant progress on both near term goals of increasing sales, improving margins and driving towards profitability, as well as the longer term goal of positioning the company as the industry leader in the growing market for very small, high quality optics and optical systems for medical device applications. We are pleased to report another year of increased revenues, continuing the trend of the past three years and we expect growth to accelerate in fiscal 2016. Our growth is being driven by increasing demand for our traditional products combined with ongoing higher interest in our latest technology. In particular, revenues associated with engineering and design work continue to grow. This work is mainly focused on incorporating our latest Microprecision™ technology for small, high quality optics, into specific products.”

Dr. Forkey continued, “The increasing size and scope of these development projects are also a strong indicator of the future prospects for our new technology. We announced in June our partnership with OmniVision Technologies, Inc. and Fujikura Ltd., and the official release of the resulting 1.6 mm micro-camera module which has the best image quality of any camera of comparable size. The response to this announcement from potential users of this product has been overwhelmingly positive and continues to drive the increase in custom development projects, with the goal of incorporating this micro-camera into new medical devices. This response helps to confirm our belief that our Microprecision™ technology is well suited to achieve size, quality and cost requirements for next generation single-use, minimally invasive medical device systems.”

The following table summarizes the fourth quarter and year results for the periods ended June 30, 2015 and 2014 (unaudited):

	Three Months Ended June 30,		Year Ended June 30,	
	2015	2014	2015	2014
Revenues	\$ 962,906	\$ 902,587	\$ 3,912,060	\$ 3,651,181
Gross Profit	210,692	145,913	798,271	800,795
Operating Expenses	568,977	462,031	2,011,324	1,960,521
Operating Loss	(358,285)	(316,118)	(1,213,053)	(1,159,726)
Net Loss	(363,247)	(317,030)	(1,178,793)	(1,160,638)
Loss Per Share:				
Basic	\$ (0.06)	\$ (0.07)	\$ (0.19)	\$ (0.26)
Diluted	\$ (0.06)	\$ (0.07)	\$ (0.19)	\$ (0.26)
Weighted Average Common Shares Outstanding:				
Basic and Diluted	6,437,364	4,455,134	6,272,264	4,455,134

Quarterly Conference Call Details

The Company has scheduled a conference call to discuss the fiscal fourth quarter and year end 2015 financial results for Tuesday, October 20, 2015 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 November 3, 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 10074673.

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, MicroprecisionTM 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 June 30, 2015 and June 30, 2014, and statements of operations for the year ended June 30, 2015 and 2014 and statements of cash flows for the year ended June 30, 2015 and 2014 (unaudited):

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

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 241,051	\$ 202,380
Accounts receivable (net of allowance for doubtful accounts of \$22,500 in 2015 and 2014)	588,042	531,049
Inventories	1,073,256	988,878
Prepaid expenses	65,182	91,922
Total current assets	<u>1,967,531</u>	<u>1,814,229</u>
Fixed Assets:		
Machinery and equipment	2,431,127	2,368,709
Leasehold improvements	553,596	553,596
Furniture and fixtures	148,303	148,303
Vehicles	19,674	19,674
	<u>3,152,700</u>	<u>3,090,282</u>
Less—Accumulated depreciation and amortization	<u>3,096,993</u>	<u>3,075,722</u>
Net fixed assets	<u>55,707</u>	<u>14,560</u>
Patents, net	18,644	7,672
	<u>\$ 2,041,882</u>	<u>\$ 1,836,461</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 912,150	\$ 715,192
Customer advances	118,800	26,200
Accrued employee compensation	222,222	200,207
Accrued professional services	60,735	60,250
Accrued warranty expense	25,000	25,000
Other accrued liabilities	36,087	69,028
Total current liabilities	<u>1,374,994</u>	<u>1,095,877</u>
Commitments (Note 2)		
Stockholders' Equity:		
Common stock, \$0.01 par value: 50,000,000 shares authorized; issued and outstanding – 6,389,806 shares at June 30, 2015 and 4,455,134 shares at June 30, 2014	63,898	44,551
Additional paid-in capital	43,232,500	42,146,750
Accumulated deficit	<u>(42,629,510)</u>	<u>(41,450,717)</u>
Total stockholders' equity	<u>666,888</u>	<u>740,584</u>
	<u>\$ 2,041,882</u>	<u>\$ 1,836,461</u>

PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED
JUNE 30, 2015 AND 2014
(UNAUDITED)

	<u>2015</u>	<u>2014</u>
Revenues	\$ 3,912,060	\$ 3,651,181
Cost of goods sold	<u>3,113,789</u>	<u>2,850,386</u>
Gross profit	<u>798,271</u>	<u>800,795</u>
Research and development expenses, net	492,937	471,106
Selling, general and administrative expenses	1,545,462	1,503,443
Gain on sale of assets	<u>(27,075)</u>	<u>(14,028)</u>
Total operating expenses	<u>2,011,324</u>	<u>1,960,521</u>
Operating loss	(1,213,053)	(1,159,726)
Other income	35,172	-
Loss before provision for income taxes	(1,177,881)	(1,159,726)
Provision for income taxes	<u>912</u>	<u>912</u>
Net loss	<u>\$ (1,178,793)</u>	<u>\$ (1,160,638)</u>
Loss per share:		
Basic	<u>\$ (0.19)</u>	<u>\$ (0.26)</u>
Diluted	<u>\$ (0.19)</u>	<u>\$ (0.26)</u>
Weighted average common shares outstanding:		
Basic	<u>6,272,264</u>	<u>4,455,134</u>
Diluted	<u>6,272,264</u>	<u>4,455,134</u>

PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED
JUNE 30, 2015 AND 2014
(UNAUDITED)

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Net loss	(1,178,793)	\$ (1,160,638)
Adjustments to reconcile net loss to net cash used in operating activities-		
Depreciation and amortization	21,271	20,020
Gain on sale of assets	(27,075)	(14,028)
Stock-based compensation expense	125,675	141,033
Non-cash consulting expense	66,750	64,507
Non-cash gain on settlement of liabilities by issuing common stock	(35,172)	-
Changes in operating assets and liabilities-		
Accounts receivable, net	(56,993)	(252,349)
Inventories	(84,378)	(92,705)
Prepaid expenses	26,740	(30,355)
Accounts payable	210,958	425,937
Customer advances	92,600	(11,844)
Accrued expenses	64,624	24,391
Net cash used in operating activities	<u>(773,793)</u>	<u>(886,031)</u>
Cash Flows from Investing Activities:		
Proceeds from sale of assets	27,075	14,028
Additional patent costs	(10,972)	(8,524)
Purchases of fixed assets	(62,418)	(1,680)
Net cash provided by (used in) investing activities	<u>(46,315)</u>	<u>3,824</u>
Cash Flows from Financing Activities:		
Proceeds from July 2014 private placement of common stock	980,291	50,000
Private placement expenses incurred and paid as of June 30, 2015	(121,512)	-
Net cash provided by financing activities	<u>858,779</u>	<u>50,000</u>
Net (decrease) increase in cash and cash equivalents	38,671	(832,207)
Cash and cash equivalents, beginning of year	202,380	1,034,587
Cash and cash equivalents, end of year	<u>\$ 241,051</u>	<u>\$ 202,380</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for income taxes	<u>\$ 912</u>	<u>\$ 912</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES:		
Issuance of 217,520 shares of common stock for services rendered to the company	<u>\$ 126,643</u>	<u>\$ -</u>
Private placement expenses incurred but not yet paid as of June 30, 2015	<u>\$ 6,000</u>	<u>\$ -</u>