



## PRECISION OPTICS CORPORATION

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***NEWS RELEASE***

***POC16-0051***

FOR IMMEDIATE RELEASE

**Tuesday, February 16, 2016**

### **Precision Optics Corporation, Inc. Announces Operating Results for the Second Quarter and Six Months of Fiscal Year 2016**

GARDNER, MA February 16, 2016. 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, 2015, of fiscal year 2016.

Second quarter highlights include:

- Revenues of \$955 thousand, representing an 11.2% sequential increase over the first quarter of fiscal 2016, and a 2.2% decline over the second quarter of fiscal 2015;
- Gross margin of 22.7%, an improvement compared to 15.4% in the first quarter of fiscal 2016 and compared to 16.6% in the second quarter of fiscal 2015;
- Ongoing increase in engineering / design projects, and associated revenue, using the Company’s Microprecision™ optics for reusable and single-use medical devices.

Commenting on the results, Company CEO, Joseph Forkey, said, “This last quarter marks another step in Precision Optics’ progress towards profitable operations built upon new product technologies and an expanding customer base. While total revenue was only slightly higher during the six months ended December 2015 compared to the previous year, revenue from new product activities versus traditional products increased 13% and is now at 71% of total sales. Equally important, as an indicator of our growing pipeline, is that engineering services revenue increased 56% during the last six months compared to the prior year, to over \$500,000. The number of engineering services projects increased 70% year over year. We believe that the vast majority of these projects can eventually lead to ongoing production revenues.”

Dr. Forkey continued, “We are also pleased to report that we are now generating greater gross margins on roughly the same level of revenue. This represents the result of our ongoing efforts to optimize production efficiency in existing products and to reduce time devoted to low margin projects and non-revenue generating engineering services. It is also a reflection of the increased level of know-how relating to the development and production of the new Microprecision™ and CMOS based products. We expect that as revenue increases we will continue to generate increasing gross margins.”

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

The Company has scheduled a conference call to discuss the fiscal second quarter 2016 financial results for Wednesday, February 17, 2016 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 March 2, 2016. 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 10081171.

#### **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, 2015 and June 30, 2015, and statements of operations for the three months and six months ended December 31, 2015 and December 31, 2014 and statements of cash flows for the six months ended December 31, 2015 and December 31, 2014 (unaudited):

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

	<u>December 31,</u> <u>2015</u>	<u>June 30,</u> <u>2015</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 410,893	\$ 241,051
Accounts Receivable, net	425,733	588,042
Inventories, net	1,093,756	1,073,256
Prepaid Expenses	89,212	65,182
Total Current Assets	<u>2,019,594</u>	<u>1,967,531</u>
<b>PROPERTY AND EQUIPMENT</b>		
Machinery and Equipment	2,435,499	2,431,127
Leasehold Improvements	553,596	553,596
Furniture and Fixtures	148,303	148,303
Vehicles	19,674	19,674
	<u>3,157,072</u>	<u>3,152,700</u>
Less: Accumulated Depreciation and Amortization	<u>(3,107,840)</u>	<u>(3,096,993)</u>
Net Property and Equipment	<u>49,232</u>	<u>55,707</u>
Patents, net	<u>21,515</u>	<u>18,644</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,090,341</u></b>	<b><u>\$ 2,041,882</u></b>
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 852,781	\$ 912,150
Customer Advances	47,970	118,800
Accrued Employee Compensation	223,132	222,222
Accrued Professional Services	37,536	60,735
Accrued Warranty Expense	25,000	25,000
Other Accrued Liabilities	74,258	36,087
Total Current Liabilities	<u>1,260,677</u>	<u>1,374,994</u>
<b>STOCKHOLDERS' EQUITY</b>		
Common Stock, \$0.01 par value - Authorized - 50,000,000 shares; Issued and Outstanding – 7,434,582 shares at December 31, 2015 and 6,389,806 shares at June 30, 2015	74,346	63,898
Additional Paid-in Capital	44,048,028	43,232,500
Accumulated Deficit	<u>(43,292,710)</u>	<u>(42,629,510)</u>
Total Stockholders' Equity	<u>829,664</u>	<u>666,888</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b><u>\$ 2,090,341</u></b>	<b><u>\$ 2,041,882</u></b>

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

	<b>Three Months</b>		<b>Six Months</b>	
	<b>Ended December 31,</b>		<b>Ended December 31,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Revenues	\$ 954,772	\$ 976,548	\$ 1,813,199	\$ 1,807,262
Cost of Goods Sold	737,750	814,036	1,463,839	1,532,612
Gross Profit	<u>217,022</u>	<u>162,512</u>	<u>349,360</u>	<u>274,650</u>
Research and Development Expenses, net	108,146	138,893	258,914	215,605
Selling, General and Administrative Expenses	407,088	346,770	772,114	693,917
Gain on Sale of Assets	(16,902)	(1,928)	(18,468)	(17,210)
Total Operating Expenses	<u>498,332</u>	<u>483,735</u>	<u>1,012,560</u>	<u>892,312</u>
Net Loss	<u>(281,310)</u>	<u>(321,223)</u>	<u>(663,200)</u>	<u>(617,662)</u>
Loss Per Share:				
Basic	\$ (0.04)	\$ (0.05)	\$ (0.10)	\$ (0.10)
Diluted	\$ (0.04)	\$ (0.05)	\$ (0.10)	\$ (0.10)
Weighted Average Common Shares Outstanding:				
Basic	<u>7,230,169</u>	<u>6,262,584</u>	<u>6,809,988</u>	<u>6,195,793</u>
Diluted	<u>7,230,169</u>	<u>6,262,584</u>	<u>6,809,988</u>	<u>6,195,793</u>

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

	<b>Six Months</b>	
	<b>Ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Loss	\$ (663,200)	\$ (617,662)
Adjustments to Reconcile Net Loss to Net Cash Used In Operating Activities -		
Depreciation and Amortization	10,847	8,888
Gain on Sale of Assets	(18,468)	(17,210)
Stock-based Compensation Expense	142,428	40,125
Non-cash Consulting Expense	47,850	18,000
Changes in Operating Assets and Liabilities -		
Accounts Receivable, net	162,309	(156,394)
Inventories	(20,500)	(232,870)
Prepaid Expenses	(24,030)	(17,586)
Accounts Payable	(59,369)	233,736
Customer Advances	(70,830)	73,800
Accrued Expenses	(31,968)	6,972
Net Cash Used In Operating Activities	<u>(524,931)</u>	<u>(660,201)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additional Patent Costs	(2,871)	(9,270)
Purchases of Property and Equipment	(4,372)	(57,671)
Proceeds from Sale of Assets	<u>18,468</u>	<u>17,210</u>
Net Cash Provided By (Used In) Investing Activities	<u>11,225</u>	<u>(49,731)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Gross Proceeds from Private Placement of Common Stock	700,000	980,291
Private Placement Expenses Incurred as of December 31	(16,452)	(87,572)
Net Cash Provided by Financing Activities	<u>683,548</u>	<u>892,719</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	169,842	182,787
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<u>241,051</u>	<u>202,380</u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u>\$ 410,893</u>	<u>\$ 385,167</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash Paid for Income Taxes	<u>\$ 912</u>	<u>\$ 912</u>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES:</b>		
Issuance of 90,298 Shares of Common Stock to Consultants	<u>\$ -</u>	<u>\$ 65,015</u>