



PRECISION OPTICS CORPORATION
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NEWS RELEASE

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FOR IMMEDIATE RELEASE

Monday, May 16, 2016

Precision Optics Corporation, Inc. Announces Operating Results for the Third Quarter and Nine Months of Fiscal Year 2016

GARDNER, MA May 16, 2016. 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, 2016, of fiscal year 2016.

Third quarter highlights include:

- Revenues of \$1,141 thousand, representing a 19.5% sequential increase over the second quarter of fiscal 2016;
- Gross margin of 24.0%, an improvement compared to 22.7% in the second quarter of fiscal 2016 and a decline compared to 27.4% in the third quarter of fiscal 2015;
- Increased 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 past quarter demonstrated the ongoing progress we are making towards the related goals of commercial implementation of our newest technologies, and revenue growth to achieve profitable operations. Our revenues were \$1.141 million, virtually equal to quarterly revenues a year ago, which were \$1.142 million and the highest in over ten years. We are also pleased to report that our ongoing efforts to control costs have been successful in reducing our cash requirements at comparable revenue levels, when we fully account for non-cash expenses. As we continue our push to achieve and move beyond profitable operations, we will control and reduce costs wherever possible while still maintaining the resources necessary to take full advantage of existing and new opportunities.

Dr. Forkey continued, “Design and engineering services were at record levels this past quarter at over \$650,000, with six projects making up over 85% of this engineering revenue. This demonstrates the potential in the near term for engineering services to contribute significantly to revenue as we incorporate our latest technology into new products for customers in well-funded development projects. It also indicates the potential for a number of significant, on-going production orders in the near future as these projects transition from development into production. During the past year, we have often commented on the developing interest in new products that utilize micro CMOS cameras enabled by our Microprecision™ lens technology. It is mainly interest in this area that has supported the significant growth in design and engineering revenue this quarter. This increase, combined with the ongoing high rate of new inquiries into our capabilities in this area, reinforces our belief that our technology is ideally positioned to satisfy the growing demand for small re-usable and single-use CMOS based endoscopes.”

Quarterly Conference Call Details

The Company has scheduled a conference call to discuss the fiscal third quarter 2016 financial results for May 16, 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 May 30, 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 10086255.

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 March 31, 2016 and June 30, 2015, and statements of operations for the three months and nine months ended March 31, 2016 and March 31, 2015 and statements of cash flows for the nine months ended March 31, 2016 and March 31, 2015 (unaudited):

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

	March 31, 2016	June 30, 2015
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 172,269	\$ 241,051
Accounts Receivable, net	607,976	588,042
Inventories, net	1,053,302	1,073,256
Prepaid Expenses	100,194	65,182
Total Current Assets	1,933,741	1,967,531
PROPERTY AND EQUIPMENT		
Machinery and Equipment	2,479,471	2,431,127
Leasehold Improvements	553,596	553,596
Furniture and Fixtures	148,303	148,303
Vehicles	19,674	19,674
	3,201,044	3,152,700
Less: Accumulated Depreciation and Amortization	(3,115,345)	(3,096,993)
Net Property and Equipment	85,699	55,707
Patents, net	22,874	18,644
TOTAL ASSETS	\$ 2,042,314	\$ 2,041,882
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
CURRENT LIABILITIES		
Current Portion of Capital Lease Obligation	\$ 7,728	\$ -
Accounts Payable	1,025,422	912,150
Customer Advances	23,010	118,800
Accrued Employee Compensation	176,130	222,222
Accrued Professional Services	54,471	60,735
Accrued Warranty Expense	25,000	25,000
Other Accrued Liabilities	7,200	36,087
Total Current Liabilities	1,318,961	1,374,994
Capital Lease Obligation, net of current portion	33,968	-
STOCKHOLDERS' EQUITY		
Common Stock, \$0.01 par value - Authorized - 50,000,000 shares; Issued and Outstanding - 7,539,582 shares at March 31, 2016 and 6,389,806 shares at June 30, 2015	75,396	63,898
Additional Paid-in Capital	44,128,796	43,232,500
Accumulated Deficit	(43,514,807)	(42,629,510)
Total Stockholders' Equity	689,385	666,888
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 2,042,314	\$ 2,041,882

PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND SIX MONTHS ENDED
MARCH 31, 2016 AND 2015
(UNAUDITED)

	Three Months		Nine Months	
	Ended March 31,		Ended March 31,	
	2016	2015	2016	2015
Revenues	\$ 1,140,825	\$ 1,141,892	\$ 2,954,024	\$ 2,949,154
Cost of Goods Sold	867,292	828,963	2,331,131	2,361,575
Gross Profit	<u>273,533</u>	<u>312,929</u>	<u>622,893</u>	<u>587,579</u>
Research and Development Expenses, net	118,285	140,177	377,199	355,782
Selling, General and Administrative Expenses	407,406	410,549	1,179,520	1,104,466
Gain on Sale of Assets	<u>(8,480)</u>	<u>(691)</u>	<u>(26,948)</u>	<u>(17,901)</u>
Total Operating Expenses	<u>517,211</u>	<u>550,035</u>	<u>1,529,771</u>	<u>1,442,347</u>
Operating Loss	\$ (243,678)	\$ (237,106)	\$ (906,878)	\$ (854,768)
Interest Expense	(469)	-	(469)	-
Other Income	<u>22,050</u>	<u>39,222</u>	<u>22,050</u>	<u>39,222</u>
Net Loss	<u><u>(222,097)</u></u>	<u><u>(197,884)</u></u>	<u><u>(885,297)</u></u>	<u><u>(815,546)</u></u>
Loss Per Share:				
Basic	<u>\$ (0.03)</u>	<u>\$ (0.03)</u>	<u>\$ (0.13)</u>	<u>\$ (0.13)</u>
Diluted	<u>\$ (0.03)</u>	<u>\$ (0.03)</u>	<u>\$ (0.13)</u>	<u>\$ (0.13)</u>
Weighted Average Common Shares Outstanding:				
Basic	<u>7,484,197</u>	<u>6,334,757</u>	<u>7,033,090</u>	<u>6,241,438</u>
Diluted	<u>7,484,197</u>	<u>6,334,757</u>	<u>7,033,090</u>	<u>6,241,438</u>

PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED
MARCH 31, 2016 AND 2015
(UNAUDITED)

	Nine Months Ended March 31,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	\$ (885,297)	\$ (815,546)
Adjustments to Reconcile Net Loss to Net Cash Used In Operating Activities -		
Depreciation and Amortization	18,352	14,962
Gain on Sale of Assets	(26,948)	(17,901)
Stock-based Compensation Expense	194,133	42,750
Non-cash Consulting Expense	55,050	38,625
Non-cash Gain on Settlement of Liabilities by Issuing Common Stock	(22,050)	(39,222)
Changes in Operating Assets and Liabilities -		
Accounts Receivable, net	(19,934)	(11,424)
Inventories	19,954	(259,864)
Prepaid Expenses	(35,012)	21,096
Accounts Payable	113,272	165,514
Customer Advances	(95,790)	74,400
Accrued Expenses	(65,943)	61,770
Net Cash Used In Operating Activities	(750,213)	(724,840)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additional Patent Costs	(4,230)	(10,972)
Purchases of Property and Equipment	(4,554)	(59,973)
Proceeds from Sale of Assets	26,948	17,901
Net Cash Provided by (Used in) Investing Activities	18,164	(53,044)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of Capital Lease Obligation	(2,094)	-
Gross Proceeds from Private Placement of Common Stock	700,000	980,291
Private Placement Expenses Incurred as of March 31	(34,639)	(121,512)
Net Cash Provided by Financing Activities	663,267	858,779
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(68,782)	80,895
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	241,051	202,380
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 172,269	\$ 283,275
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Paid for Income Taxes	\$ 912	\$ 912
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Issuance of Common Stock to Consultants	\$ 48,300	\$ 93,793
Acquisition of Manufacturing Equipment Under Capital Lease	\$ 43,790	\$ -