



PRECISION OPTICS CORPORATION
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NEWS RELEASE

POC16-0221

FOR IMMEDIATE RELEASE

Wednesday, September 28, 2016

Precision Optics Corporation, Inc. Announces Operating Results for the Fourth Quarter and Fiscal Year Ended June 30, 2016

GARDNER, MA September 28, 2016. Precision Optics Corporation, Inc. (OTCQB: PEYE) (the “Company”) today announced operating results on an unaudited basis for its fourth quarter and fiscal year ended June 30, 2016.

Fourth quarter highlights include:

- Revenues of \$963 thousand in the fourth quarters of fiscal 2016 and 2015;
- 87% year-over-year increase in quarterly engineering service revenue;
- 51% year-over-year increase in quarterly gross profit, with gross margin of 33.2% compared to 21.9%;
- Continued progress toward conversion of engineering projects to production orders.

Fiscal year highlights include:

- Continuation of revenues at their highest levels over the last eleven years at \$3.9 million for each of fiscal years 2016 and 2015;
- 124% year-over-year increase in annual engineering service revenue in fiscal 2016 versus 2015;
- 18% year-over-year increase in annual gross profit, with gross margin of 24.1% in fiscal 2016 compared to 20.4% in 2015;
- 12% year-over-year decrease in annual net loss in fiscal 2016 versus 2015 with similar revenue.

Precision Optics’ CEO, Joseph Forkey, commented, “While revenues for the fourth fiscal quarter and for the fiscal year were flat when compared to fiscal 2015, we are excited about the product mix of our revenues in fiscal 2016 and the change that it represents. Revenue generated from our engineering services increased nearly eight hundred thousand dollars during fiscal 2016. We believe we are seeing the growing acceptance of and demand for our unique technologies and products. We are excited about the impact our products and services are having on our customers’ medical device initiatives, and the effects that success can have on the expansion of our business and financial performance in the near and long term.”

Dr. Forkey continued, “We are also pleased to see improvements in our operational efficiency and financial performance, as reflected in improved gross margin and lower net losses. These improvements are driven, in part, by the change in product mix to include more engineering service work. However, it is also indicative of the progress we have made in transitioning our Microprecision™ technologies from use in small volume prototype applications to larger volume production. While this transition does not happen quickly, we are clearly seeing the effects of greater efficiency as we gain more and more experience with these new technologies in a production environment. We expect some variation in margins as we continue to bring new products into production but expect, over time, gross margins and overall profits as a percent of revenue to increase as these efficiencies continue to grow, and as we continue to absorb fixed expenses across a higher revenue base.”

The following table summarizes the fourth quarter and year results for the periods ended June 30, 2016 and 2015 (unaudited):

	Three Months Ended June 30,		Year Ended June 30,	
	2016	2015	2016	2015
Revenues	\$ 962,678	\$ 962,906	\$ 3,916,702	\$ 3,912,060
Gross Profit	319,128	210,692	942,021	798,271
Operating Expenses	467,684	568,977	1,997,455	2,011,324
Operating Loss	(148,556)	(358,285)	(1,055,434)	(1,213,053)
Net Loss	(149,468)	(363,247)	(1,034,765)	(1,178,793)
Loss Per Share:				
Basic	\$ (0.02)	\$ (0.06)	\$ (0.15)	\$ (0.19)
Diluted	\$ (0.02)	\$ (0.06)	\$ (0.15)	\$ (0.19)
Weighted Average Common Shares Outstanding:				
Basic and Diluted	7,539,582	6,355,142	7,157,978	6,272,264

Quarterly Conference Call Details

The Company has scheduled a conference call to discuss the fiscal fourth quarter 2016 financial results for Thursday, September 29, 2016 at 9:00 AM Eastern. To participate in the conference call, please dial 1-866-652-5200 toll free from the U.S., or 1-412-317-6060 from outside the U.S., and ask to be connected to the Precision Optics, Corp. 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 October 13, 2016. The audio replay can be accessed toll free by dialing 1-877-344-7529 from the U.S., or 1-412-317-0088 from outside the U.S., or 1-855-669-9658 from Canada, and entering Replay Access Code 10093345.

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.

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Following are the Company's Consolidated Balance Sheets at June 30, 2016 and June 30, 2015, and Statements of Operations for the years ended June 30, 2016 and 2015 and Statements of Cash Flows for the years ended June 30, 2016 and 2015:

PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AT JUNE 30,

	2016	2015
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 50,059	\$ 241,051
Accounts receivable (net of allowance for doubtful accounts of \$23,377 in 2016 and 2015)	750,380	588,042
Inventories	1,133,451	1,073,256
Prepaid expenses	88,129	65,182
Total current assets	2,022,019	1,967,531
Fixed Assets:		
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	3,122,849	3,096,993
Net fixed assets	78,195	55,707
Patents, net	22,874	18,644
	\$ 2,123,088	\$ 2,041,882
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current portion of capital lease obligation	\$ 7,857	\$ —
Accounts payable	1,151,561	912,150
Customer advances	—	118,800
Accrued employee compensation	238,381	222,222
Accrued professional services	65,550	60,735
Accrued warranty expense	25,000	25,000
Other accrued liabilities	15,612	36,087
Total current liabilities	1,503,961	1,374,994
Capital lease obligation, net of current portion	31,955	—
Commitments (Note 2)		
Stockholders' Equity:		
Common stock, \$0.01 par value: 50,000,000 shares authorized; issued and outstanding — 7,539,582 shares at June 30, 2016 and 6,389,806 shares at June 30, 2015	75,396	63,898
Additional paid-in capital	44,176,051	43,232,500
Accumulated deficit	(43,664,275)	(42,629,510)
Total stockholders' equity	587,172	666,888
	\$ 2,123,088	\$ 2,041,882

PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED JUNE 30,

	<u>2016</u>	<u>2015</u>
Revenues	\$ 3,916,702	\$ 3,912,060
Cost of goods sold	<u>2,974,681</u>	<u>3,113,789</u>
Gross profit	942,021	798,271
Research and development expenses, net	478,267	492,937
Selling, general and administrative expenses	1,551,895	1,545,462
Gain on sale of assets	<u>(32,707)</u>	<u>(27,075)</u>
Total operating expenses	<u>1,997,455</u>	<u>2,011,324</u>
Operating loss	(1,055,434)	(1,213,053)
Interest expense	(469)	—
Other income	<u>22,050</u>	<u>35,172</u>
Loss before provision for income taxes	(1,033,853)	(1,177,881)
Provision for income taxes	<u>912</u>	<u>912</u>
Net loss	<u>\$ (1,034,765)</u>	<u>\$ (1,178,793)</u>
Loss per share:		
Basic	<u>\$ (0.15)</u>	<u>\$ (0.19)</u>
Diluted	<u>\$ (0.15)</u>	<u>\$ (0.19)</u>
Weighted average common shares outstanding:		
Basic	<u>7,157,978</u>	<u>6,272,264</u>
Diluted	<u>7,157,978</u>	<u>6,272,264</u>

PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	2016	2015
Cash Flows from Operating Activities:		
Net loss	\$ (1,034,765)	\$ (1,178,793)
Adjustments to reconcile net loss to net cash used in operating activities-		
Depreciation and amortization	25,856	21,271
Gain on sale of assets	(32,707)	(27,075)
Stock-based compensation expense	241,388	125,675
Non-cash consulting expense	63,000	66,750
Non-cash gain on settlement of liabilities by issuing common stock	(22,050)	(35,172)
Changes in operating assets and liabilities-		
Accounts receivable, net	(162,338)	(56,993)
Inventories	(60,195)	(84,378)
Prepaid expenses	(22,947)	26,740
Accounts payable	261,461	210,958
Customer advances	(118,800)	92,600
Accrued expenses	(14,201)	64,624
Net cash used in operating activities	(876,298)	(773,793)
Cash Flows from Investing Activities:		
Proceeds from sale of assets	32,707	27,075
Additional patent costs	(4,230)	(10,972)
Purchases of fixed assets	(4,372)	(62,418)
Net cash provided by (used in) investing activities	24,105	(46,315)
Cash Flows from Financing Activities:		
Payment of capital lease obligation	(4,160)	-
Proceeds from private placements of common stock	700,000	980,291
Private placement expenses incurred and paid as of June 30, 2016 and 2015	(34,639)	(121,512)
Net cash provided by financing activities	661,201	858,779
Net (decrease) increase in cash and cash equivalents	(190,992)	38,671
Cash and cash equivalents, beginning of year	241,051	202,380
Cash and cash equivalents, end of year	\$ 50,059	\$ 241,051
Supplemental disclosure of cash flow information:		
Cash paid during the year for income taxes	\$ 912	\$ 912
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES:		
Issuance of 105,000 and 217,520 shares of common stock for services rendered to the company in fiscal year 2016 and 2015, respectively	\$ 48,300	\$ 126,643
Private placement expenses incurred but not yet paid	\$ 37,781	\$ 6,000
Capital expenditures funded by capital lease borrowings	\$ 43,972	\$ -