



PRECISION OPTICS CORPORATION

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NEWS RELEASE

POC16-0274

FOR IMMEDIATE RELEASE

Monday, November 14, 2016

Precision Optics Corporation, Inc. Announces Operating Results for the First Quarter of Fiscal Year 2017 Ended September 30, 2016

GARDNER, MA, November 14, 2016. Precision Optics Corporation, Inc. (OTCQB: PEYE) (the “Company”) today announced operating results on an unaudited basis for its first quarter ended September 30, 2016.

First quarter highlights include:

- Revenues of \$850 thousand, nearly the same as \$856 thousand in the first quarter of fiscal 2016;
- 19.7% gross margin, a relative improvement of 28% compared to gross margin of 15.4% in the first quarter of fiscal 2016;
- 23% year-over-year decrease in quarterly net loss on similar level quarterly revenues; and
- On-going progress toward conversion of multiple engineering projects to production orders.

Commenting on the first quarter results, Joseph Forkey, Company CEO said, “While our revenues in the first quarter of fiscal 2017 were nearly the same as a year ago, gross margin was significantly higher, reflecting, in part, improvements in manufacturing efficiencies that we have achieved over the past year. As our overall revenues increase, we expect these efficiencies to continue to help us achieve higher margins. These improved gross margins as well as lower operating expenses, contributed to reduced losses at the same level of revenues compared to the same quarter one year ago.

Dr. Forkey continued, “We are pleased with our improved performance at this level of sales while we continue our progress toward increased production revenues resulting from conversion of our engineering service contracts. We are also seeing continued interest in our development capabilities as we evaluate new requests from existing and new potential customers for our engineering services on various medical device visualization systems that can benefit from our unique technologies and know-how.”

The following table summarizes the first quarter results for the periods ended September 30, 2016 and 2015 (unaudited):

	Three Months Ended	
	September 30,	
	2016	2015
Revenues	\$ 849,548	\$ 858,427
Gross Profit	167,051	132,338
Operating Expenses	460,459	514,228
Net Loss	(293,408)	(381,890)
Loss Per Share:		
Basic	\$ (0.04)	\$ (0.06)
Diluted	\$ (0.06)	\$ (0.06)
Weighted Average Common Shares Outstanding:		
Basic and Diluted	7,539,582	6,389,806

Quarterly Conference Call Details

The Company has scheduled a conference call to discuss the fiscal first quarter 2017 financial results for Monday, November 14, 2016 at 5:00 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 28, 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 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.

Company Contact:

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Following are the Company's consolidated balance sheets as of September 30, 2016 and June 30, 2016, and statements of operations for the three months ended September 30, 2016 and 2015 and statements of cash flows for the three months ended September 30, 2016 and 2015 (unaudited):

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

	September 30, 2016	June 30, 2016
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 202,406	\$ 50,059
Accounts Receivable, net	566,053	750,380
Inventories, net	992,472	1,133,451
Prepaid Expenses	81,832	88,129
Total Current Assets	1,842,763	2,022,019
PROPERTY AND EQUIPMENT		
Machinery and Equipment	2,482,971	2,479,471
Leasehold Improvements	553,596	553,596
Furniture and Fixtures	148,303	148,303
Vehicles	19,674	19,674
	3,204,544	3,201,044
Less: Accumulated Depreciation and Amortization	(3,130,470)	(3,122,849)
Net Fixed Assets	74,074	78,195
Patents, net	23,214	22,874
TOTAL ASSETS	\$ 1,940,051	\$ 2,123,088
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
CURRENT LIABILITIES		
Current Portion of Capital Lease Obligation	\$ 7,987	\$ 7,857
Accounts Payable	1,211,646	1,151,561
Customer Advances	11,025	-
Accrued Employee Compensation	184,307	238,381
Accrued Professional Services	91,350	65,550
Accrued Warranty Expense	25,000	25,000
Other Accrued Liabilities	24,162	15,612
Total Current Liabilities	1,555,477	1,503,961
Capital lease obligation, net of current portion	29,909	31,955
STOCKHOLDERS' EQUITY		
Common stock, \$0.01 par value - Authorized - 50,000,000 shares; Issued and Outstanding – 7,539,582 shares at September 30, 2016 and June 30, 2016	75,396	75,396
Additional Paid-in Capital	44,236,952	44,176,051
Accumulated deficit	(43,957,683)	(43,664,275)
Total Stockholders' Equity	354,665	587,172
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,940,051	\$ 2,123,088

PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED
SEPTEMBER 30, 2016 AND 2015
(UNAUDITED)

	Three Months	
	Ended September 30,	
	2016	2015
Revenues	\$ 849,548	\$ 858,427
Cost of Goods Sold	<u>682,497</u>	<u>726,089</u>
Gross Profit	<u>167,051</u>	<u>132,338</u>
Research and Development Expenses, net	116,992	150,768
Selling, General and Administrative Expenses	343,782	365,026
Gain on Sale of Assets	<u>(315)</u>	<u>(1,566)</u>
Total Operating Expenses	<u>460,459</u>	<u>514,228</u>
Net Loss	<u><u>\$ (293,408)</u></u>	<u><u>\$ (381,890)</u></u>
Loss Per Share:		
Basic	\$ (0.04)	\$ (0.06)
Diluted	\$ (0.04)	\$ (0.06)
Weighted average common shares outstanding:		
Basic	7,539,582	6,389,806
Diluted	7,539,582	6,389,806

PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED
SEPTEMBER 30, 2016 AND 2015
(UNAUDITED)

	Three Months	
	Ended September 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	\$ (293,408)	\$ (381,890)
Adjustments to Reconcile Net Loss to Net Cash Used In Operating Activities:		
Depreciation and Amortization	7,621	5,541
Gain on Sale of Assets	(315)	(1,566)
Stock-based Compensation Expense	60,901	100,323
Non-cash Consulting Expense	8,550	4,500
Changes in Operating Assets and Liabilities:		
Accounts Receivable, net	184,327	128,914
Inventories	140,979	54,529
Prepaid Expenses	6,297	7,194
Accounts Payable	60,085	(40,809)
Customer Advances	11,025	3,500
Accrued Expenses	(28,274)	(5,320)
Net Cash Provided From (Used In) Operating Activities	<u>157,788</u>	<u>(125,084)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additional Patent Costs	(340)	(1,443)
Purchases of Property and Equipment	(3,500)	(4,372)
Proceeds from Sale of Assets	315	1,566
Net Cash Used In Investing Activities	<u>(3,525)</u>	<u>(4,249)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of Capital Lease Obligation	(1,916)	—
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	152,347	(129,333)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>50,059</u>	<u>241,051</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u><u>\$ 202,406</u></u>	<u><u>\$ 111,718</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Paid for Income Taxes	<u><u>\$ —</u></u>	<u><u>\$ 912</u></u>