



PRECISION OPTICS CORPORATION

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**NEWS RELEASE**

**POC17-0023**

FOR IMMEDIATE RELEASE

**Tuesday, February 14, 2016**

## **Precision Optics Corporation, Inc. Announces Operating Results for the Second Quarter and Six Months of Fiscal Year 2017**

GARDNER, MA February 14, 2017. 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, 2016, of fiscal year 2017.

Second quarter highlights include:

- Completion of an \$800,000 private placement offering;
- \$353,182 decrease in revenues during quarter ended December 31, 2016 compared to the same quarter of the prior year;
- Gross margin improvements during the quarter and six months ended December 31, 2016 to 24.7% and 21.7%, respectively, compared to 22.7% in the quarter ended December 31, 2015 and 19.3% in the six months ended December 31, 2015;
- Reductions in SG&A expenses of \$64,601 and \$85,845 in the quarter and six month periods ended December 31, 2016, respectively, when compared to SG&A expenses in the same periods of the prior year;
- Increasing market demand for small sized and disposable micro cameras;
- Development of smaller CMOS camera module using low cost, high performance proprietary technology.

Commenting on the results, Company CEO, Joseph Forkey, said, “In spite of the recent progress Precision Optics has made with margins, cost containment and increasing product and engineering service activities, we experienced a 37% decline in revenues during the three months ended December 31, 2016 compared to the previous year. The decline occurred in both the engineering service and production categories. With the exception of one product that we no longer manufacture, the declines resulted principally from timing delays related to engineering project development and release to production schedules and from the cyclical purchasing patterns of some traditional products by our customers. We continue to see robust activity in existing and prospective customer demand for our unique design, engineering and production capabilities, and believe this quarter’s revenue decline will be temporary.”

Dr. Forkey continued, “We are pleased with the margin improvements even at this lower level of revenue, which represents our improving operational performance in engineering and production services relating to our core technologies. Margins increased to 24.7% and 21.7% during the three and six months ended December 31, 2016, principally as a result of efficient production of three traditional products comprising 43% of production revenue during the six months, and from cost containment efforts, including the elimination of our internal thin film coating operation.”

Dr. Forkey concluded, “We are seeing accelerating demand in the medical device market for small sized, disposable micro cameras used in many different endoscope configurations and applications. Precision Optics has once again lead the market with the recent introduction of a smaller CMOS camera module utilizing its proprietary techniques to accomplish a low cost, high performance product with a diameter of less than 1mm. I would like to thank our recent investors for their support in participating in the \$800,000 round of financing completed in November 2016. This financing allows us to continue our efforts to cultivate our unique technologies and related product pipeline opportunities.”

### **Quarterly Conference Call Details**

The Company has scheduled a conference call to discuss the fiscal second quarter 2017 financial results for Tuesday, February 14, 2017 at 5:00 PM Eastern. To participate in the conference call, please dial 1-844-826-3042 toll free from the U.S., or 1-412-317-5187 for international callers, 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 February 28, 2017. The audio replay can be accessed by dialing 1-877-344-7529 toll free from the U.S., or 1-412-317-0088 for international callers, and entering Replay Access Code 10101395.

### **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.

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Following are the Company's consolidated balance sheets as of December 31, 2016 and June 30, 2015, and statements of operations for the three months and six months ended December 31, 2016 and December 31, 2015 and statements of cash flows for the six months ended December 31, 2016 and December 31, 2015 (unaudited):

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

	<u>December 31,</u> <u>2016</u>	<u>June 30,</u> <u>2016</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 516,578	\$ 50,059
Accounts Receivable, net	442,087	750,380
Inventories, net	1,097,891	1,133,451
Prepaid Expenses	94,044	88,129
Total Current Assets	<u>2,150,600</u>	<u>2,022,019</u>
<b>PROPERTY AND EQUIPMENT</b>		
Machinery and Equipment	2,505,314	2,479,471
Leasehold Improvements	553,596	553,596
Furniture and Fixtures	148,303	148,303
Vehicles		19,674
	<u>3,207,213</u>	<u>3,201,044</u>
Less: Accumulated Depreciation and Amortization	<u>(3,119,194)</u>	<u>(3,122,849)</u>
Net Fixed Assets	<u>88,019</u>	<u>78,195</u>
Patents, net	<u>28,722</u>	<u>22,874</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,267,341</u></u>	<u><u>\$ 2,123,088</u></u>
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
<b>CURRENT LIABILITIES</b>		
Current Portion of Capital Lease Obligation	\$ 8,120	\$ 7,857
Accounts Payable	983,128	1,151,561
Customer Advances	37,100	-
Accrued Employee Compensation	194,451	238,381
Accrued Professional Services	66,600	65,550
Accrued Warranty Expense	25,000	25,000
Other Accrued Liabilities	63,012	15,612
Total Current Liabilities	<u>1,377,411</u>	<u>1,503,961</u>
Capital lease obligation, net of current portion	27,828	31,955
<b>STOCKHOLDERS' EQUITY</b>		
Common Stock, \$0.01 par value - Authorized - 50,000,000 shares; Issued and Outstanding - 8,872,916 shares at December 31, 2016 and 7,539,582 shares at June 30, 2016	88,729	75,396
Additional Paid-in Capital	45,043,151	44,176,051
Accumulated Deficit	(44,269,778)	(43,664,275)
Total Stockholders' Equity	<u>862,102</u>	<u>587,172</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u><u>\$ 2,267,341</u></u>	<u><u>\$ 2,123,088</u></u>

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

	<b>Three Months</b>		<b>Six Months</b>	
	<b>Ended December 31,</b>		<b>Ended December 31,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Revenues	\$ 601,590	\$ 954,772	\$ 1,451,138	\$ 1,813,199
Cost of Goods Sold	453,183	737,750	1,135,680	1,463,839
Gross Profit	<u>148,407</u>	<u>217,022</u>	<u>315,458</u>	<u>349,360</u>
Research and Development Expenses, net	119,215	108,146	236,207	258,914
Selling, General and Administrative Expenses	342,487	407,088	686,269	772,114
Gain on Sale of Assets	(1,200)	(16,902)	(1,515)	(18,468)
Total Operating Expenses	<u>460,502</u>	<u>498,332</u>	<u>920,961</u>	<u>1,012,560</u>
Net Loss	<u>(312,095)</u>	<u>(281,310)</u>	<u>(605,503)</u>	<u>(663,200)</u>
Loss Per Share:				
Basic	\$ (0.04)	\$ (0.04)	\$ (0.08)	\$ (0.10)
Diluted	<u>\$ (0.04)</u>	<u>\$ (0.04)</u>	<u>\$ (0.08)</u>	<u>\$ (0.10)</u>
Weighted Average Common Shares Outstanding:				
Basic	<u>8,104,800</u>	<u>7,230,169</u>	<u>7,822,191</u>	<u>6,809,988</u>
Diluted	<u>8,104,800</u>	<u>7,230,169</u>	<u>7,822,191</u>	<u>6,809,988</u>

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

	<b>Six Months</b>	
	<b>Ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Loss	\$ (605,503)	\$ (663,200)
Adjustments to Reconcile Net Loss to Net Cash Used In Operating Activities -		
Depreciation and Amortization	16,019	10,847
Gain on Sale of Assets	(1,515)	(18,468)
Stock-based Compensation Expense	110,433	142,428
Non-cash Consulting Expense	17,400	47,850
Changes in Operating Assets and Liabilities -		
Accounts Receivable, net	308,293	162,309
Inventories	35,560	(20,500)
Prepaid Expenses	(5,915)	(24,030)
Accounts Payable	(168,433)	(59,369)
Customer Advances	37,100	(70,830)
Accrued Expenses	(42,880)	(31,968)
Net Cash Used In Operating Activities	(299,441)	(524,931)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additional Patent Costs	(5,848)	(2,871)
Purchases of Property and Equipment	(25,843)	(4,372)
Proceeds from Sale of Assets	1,515	18,468
Net Cash Provided By (Used In) Investing Activities	(30,176)	11,225
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payment of Capital Lease Obligation	(3,864)	-
Gross Proceeds from Private Placement of Common Stock	800,000	700,000
Private Placement Expenses Incurred as of December 31	-	(16,452)
Net Cash Provided by Financing Activities	796,136	683,548
NET INCREASE IN CASH AND CASH EQUIVALENTS	466,519	169,842
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	50,059	241,051
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 516,578	\$ 410,893
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash Paid for Income Taxes	\$ -	\$ 912