



PRECISION OPTICS CORPORATION

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NEWS RELEASE

POC17-0132

FOR IMMEDIATE RELEASE

Thursday, September 28, 2017

Precision Optics Corporation, Inc. Announces Operating Results for the Fourth Quarter and Fiscal Year Ended June 30, 2017

GARDNER, MA September 28, 2017. 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, 2017.

Financial highlights include:

- 19% year-over-year decrease in annual revenue in fiscal 2017 versus 2016;
- Year-over-year increase in gross margin percentage on lower revenues in fiscal 2017 versus 2016;
- \$221,000 year-over-year decrease in annual operating expenses in fiscal 2017 versus 2016;
- Nearing the conversion point of multiple development projects into production level orders.

Precision Optics’ CEO, Joseph Forkey, commented, “Fourth quarter and annual revenues were down for fiscal 2017 compared to the previous year, with the vast majority of this decline due to a reduction in shipments of traditional products. Engineering, design and development revenues continued to be strong at nearly the same levels as the previous year. While we are disappointed by the lower revenues from traditional products, we continue to believe that the robustness of our engineering, design and development work is a strong indicator of the future potential of the Company. Demand from our customers for our cutting-edge Microprecision™ technology continues to increase with additional projects added to the pipeline this past year. During fiscal 2017, we used our unique capabilities to develop a new camera with diameter less than 1 millimeter, that we jointly announced with OmniVision Technologies, Inc. in June, 2017. We are excited about the positioning of our unique Microprecision™ technologies and the increasing demand for our micro-optical systems in the medical device industry.”

Dr. Forkey continued, “From an operational standpoint, efforts we have made during the last few years have had a positive impact on gross margins and operating expenses. Gross margin percentage for fiscal year 2017 was slightly higher than the previous year, despite lower sales. This positions us well to take full advantage of new production orders. Additionally, we reduced operating expenses by \$221,000 or 11% in fiscal 2017 compared to fiscal 2016. We believe that the combination of a steady pipeline of new and progressing engineering projects, anticipated conversion of some of these into increases in production revenue, and efficient margins and operating expenses will generate sales growth as well as improved financial performance.”

The following table summarizes the fourth quarter and year results for the periods ended June 30, 2017 and 2016 (unaudited):

	Three Months Ended June 30,		Year Ended June 30,	
	2017	2016	2017	2016
Revenues	\$ 720,223	\$ 962,678	\$ 3,154,547	\$ 3,916,702
Gross Profit	180,142	319,128	773,724	942,021
Operating Expenses	415,530	467,684	1,776,125	1,997,455
Operating Loss	(235,388)	(148,556)	(1,002,401)	(1,055,434)
Net Loss	(237,601)	(149,468)	(1,006,457)	(1,034,765)
Loss Per Share:				
Basic	\$ (0.03)	\$ (0.02)	\$ (0.12)	\$ (0.15)
Diluted	\$ (0.03)	\$ (0.02)	\$ (0.12)	\$ (0.15)
Weighted Average Common Shares Outstanding:				
Basic and Diluted	8,872,916	7,539,582	8,343,235	7,157,978

Quarterly Conference Call Details

The Company has scheduled a conference call to discuss the fiscal fourth quarter 2017 financial results for Thursday, September 28, 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 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 12, 2017. 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 using Access Code 10112255.

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.otcm Markets.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, 2017 and June 30, 2016, and Statements of Operations for the years ended June 30, 2017 and 2016 and Statements of Cash Flows for the years ended June 30, 2017 and 2016:

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

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 118,405	\$ 50,059
Accounts receivable (net of allowance for doubtful accounts of \$5,000 at June 30, 2017 and \$23,377 at June 30, 2016)	468,548	750,380
Inventories	1,055,447	1,133,451
Prepaid expenses	55,985	88,129
Total current assets	<u>1,698,385</u>	<u>2,022,019</u>
Fixed Assets:		
Machinery and equipment	2,507,190	2,479,471
Leasehold improvements	553,596	553,596
Furniture and fixtures	148,303	148,303
Vehicles	-	19,674
	<u>3,209,089</u>	<u>3,201,044</u>
Less—Accumulated depreciation and amortization	3,136,835	3,122,849
Net fixed assets	<u>72,254</u>	<u>78,195</u>
Patents, net	30,086	22,874
	<u>\$ 1,800,725</u>	<u>\$ 2,123,088</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current portion of capital lease obligation	\$ 8,391	\$ 7,857
Accounts payable	694,958	1,151,561
Customer advances	180,137	-
Accrued employee compensation	189,783	238,381
Accrued professional services	71,000	65,550
Accrued warranty expense	25,000	25,000
Other accrued liabilities	49,512	15,612
Total current liabilities	<u>1,218,781</u>	<u>1,503,961</u>
Capital lease obligation, net of current portion	23,564	31,955
Commitments (Note 2)		
Stockholders' Equity:		
Common stock, \$0.01 par value: 50,000,000 shares authorized; issued and outstanding – 8,872,916 shares at June 30, 2017 and 7,539,582 shares at June 30, 2016	88,729	75,396
Additional paid-in capital	45,140,383	44,176,051
Accumulated deficit	<u>(44,670,732)</u>	<u>(43,664,275)</u>
Total stockholders' equity	<u>558,380</u>	<u>587,172</u>
	<u>\$ 1,800,725</u>	<u>\$ 2,123,088</u>

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

	<u>2017</u>	<u>2016</u>
Revenues	\$ 3,154,547	\$ 3,916,702
Cost of goods sold	<u>2,380,823</u>	<u>2,974,681</u>
Gross profit	773,724	942,021
Research and development expenses, net	464,162	478,267
Selling, general and administrative expenses	1,313,478	1,551,895
Gain on sale of assets	<u>(1,515)</u>	<u>(32,707)</u>
Total operating expenses	<u>1,776,125</u>	<u>1,997,455</u>
Operating loss	(1,002,401)	(1,055,434)
Interest expense	(3,144)	(469)
Other income	<u>-</u>	<u>22,050</u>
Loss before provision for income taxes	(1,005,545)	(1,033,853)
Provision for income taxes	<u>912</u>	<u>912</u>
Net loss	<u>\$ (1,006,457)</u>	<u>\$ (1,034,765)</u>
Loss per share:		
Basic	<u>\$ (0.12)</u>	<u>\$ (0.15)</u>
Diluted	<u>\$ (0.12)</u>	<u>\$ (0.15)</u>
Weighted average common shares outstanding:		
Basic	<u>8,343,235</u>	<u>7,157,978</u>
Diluted	<u>8,343,235</u>	<u>7,157,978</u>

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

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Net loss	\$ (1,006,457)	\$ (1,034,765)
Adjustments to reconcile net loss to net cash used in operating activities-		
Depreciation and amortization	33,660	25,856
Gain on sale of assets	(1,515)	(32,707)
Stock-based compensation expense	201,612	241,388
Non-cash consulting expense	33,900	63,000
Non-cash gain on settlement of liabilities by issuing common stock	-	(22,050)
Changes in operating assets and liabilities-		
Accounts receivable, net	281,832	(162,338)
Inventories	78,004	(60,195)
Prepaid expenses	32,144	(22,947)
Accounts payable	(457,603)	261,461
Customer advances	180,137	(118,800)
Accrued expenses	(43,148)	(14,201)
Net cash used in operating activities	<u>(667,434)</u>	<u>(876,298)</u>
Cash Flows from Investing Activities:		
Proceeds from sale of assets	1,515	32,707
Additional patent costs	(7,212)	(4,230)
Purchases of fixed assets	(27,719)	(4,372)
Net cash provided by (used in) investing activities	<u>(33,416)</u>	<u>24,105</u>
Cash Flows from Financing Activities:		
Payment of capital lease obligation	(7,857)	(4,160)
Proceeds from private placements of common stock	780,000	700,000
Private placement expenses incurred and paid as of June 30, 2017 and 2016	(2,947)	(34,639)
Net cash provided by financing activities	<u>769,196</u>	<u>661,201</u>
Net (decrease) increase in cash and cash equivalents	68,346	(190,992)
Cash and cash equivalents, beginning of year	50,059	241,051
Cash and cash equivalents, end of year	<u>\$ 118,405</u>	<u>\$ 50,059</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for income taxes	<u>\$ 912</u>	<u>\$ 912</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES:		
Issuance of common stock to consultants	<u>\$ -</u>	<u>\$ 48,300</u>
Private placement expenses incurred but not yet paid	<u>\$ 21,000</u>	<u>\$ 37,781</u>
Issuance of common stock in settlement of accounts payable	<u>\$ 20,000</u>	<u>\$ -</u>
Capital expenditures funded by capital lease borrowings	<u>\$ -</u>	<u>\$ 43,972</u>