



PRECISION OPTICS CORPORATION

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***NEWS RELEASE***

*POC17-0099*

FOR IMMEDIATE RELEASE

**Monday, May 15, 2017**

**Precision Optics Corporation, Inc. Announces Operating Results for the Third Quarter and Nine Months of Fiscal Year 2017**

GARDNER, MA May 17, 2017. 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, 2017, of fiscal year 2017.

Third quarter highlights include:

- Third quarter revenues of \$983 thousand, representing a 63% increase over the second quarter of fiscal 2017, and a 14% decrease compared to revenues in the third quarter of fiscal 2016;
- Improved gross margin on lower revenues in both the three and nine month periods ended March 31, 2017 compared to the same periods of the prior fiscal year;
- Third quarter gross margins of 28% compared to 24% in fiscal 2017 and 2016, respectively, and 24% compared to 21% in the nine months ended March 31, 2017 and 2016, respectively;
- Reductions in SG&A expenses of \$89 thousand and \$176 thousand in the three and nine month periods ended March 31, 2017, respectively, compared to the same periods of the prior fiscal year;
- Continued expansion of the number of engineering services projects and customers utilizing the Company’s Microprecision™ optics expertise for reusable and single-use medical devices.

Commenting on the results, Company CEO, Joseph Forkey said, “In this third quarter our revenues rebounded from their temporary decline in the second quarter of fiscal 2017. Improving efficiencies in our operations resulted in increased gross margins as well as lower selling, general and administrative expenses for the current quarter and nine months compared to last year. Gross margin of 28% on revenues this past quarter of \$983 thousand represents continued improvement and stabilization of margins realized on engineering services related to CMOS and other Microprecision™ technologies as well as traditional and new product production. As revenues increase from their current levels, we expect that higher capacity utilization will push margins higher resulting in rapidly enhanced financial performance.

Dr. Forkey continued, “Design and engineering services represented 56% and 45% of total revenues for the current quarter and nine months. Equally important is that we worked on thirty-six different revenue-generating engineering projects during the last nine months. This represents a 71% increase compared to the number of projects in the same period last year, and demonstrates the accelerating development of the market for new products based on our enabling micro optics technology. Our unique Microprecision™ capabilities are now well positioned for the growing demand for micro optical systems in the medical device industry. Our ability to effectively estimate, plan and execute these projects contributes directly to our improving margins and to our pipeline of increasing production business and overall company revenues”

### **Quarterly Conference Call Details**

The Company has scheduled a conference call to discuss the fiscal third quarter 2017 financial results for Monday, May 15, 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 May 29, 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 10106998.

### **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 March 31, 2017 and June 30, 2016, and statements of operations for the three months and nine months ended March 31, 2017 and March 31, 2016 and statements of cash flows for the nine months ended March 31, 2017 and March 31, 2016 (unaudited):

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

	<b>March 31, 2017</b>	<b>June 30, 2016</b>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 158,589	\$ 50,059
Accounts Receivable, net	533,922	750,380
Inventories, net	1,123,222	1,133,451
Prepaid Expenses	102,354	88,129
Total Current Assets	1,918,087	2,022,019
<b>PROPERTY AND EQUIPMENT</b>		
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
	3,209,089	3,201,044
Less: Accumulated Depreciation and Amortization	(3,128,084)	(3,122,849)
Net Fixed Assets	81,005	78,195
Patents, net	28,722	22,874
<b>TOTAL ASSETS</b>	<b>\$ 2,027,814</b>	<b>\$ 2,123,088</b>
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
<b>CURRENT LIABILITIES</b>		
Current Portion of Capital Lease Obligation	\$ 8,254	\$ 7,857
Accounts Payable	924,413	1,151,561
Customer Advances	69,421	-
Accrued Employee Compensation	155,700	238,381
Accrued Professional Services	42,000	65,550
Accrued Warranty Expense	25,000	25,000
Other Accrued Liabilities	28,200	15,612
Total Current Liabilities	1,252,988	1,503,961
Capital Lease Obligation, net of current portion	25,714	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 March 31, 2017 and 7,539,582 shares at June 30, 2016	88,729	75,396
Additional Paid-in Capital	45,093,514	44,176,051
Accumulated Deficit	(44,433,131)	(43,664,275)
Total Stockholders' Equity	749,112	587,172
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 2,027,814</b>	<b>\$ 2,123,088</b>

**PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE THREE AND NINE MONTHS ENDED**  
**MARCH 31, 2017 AND 2016**  
**(UNAUDITED)**

	<u>Three Months</u> <u>Ended March 31,</u>		<u>Nine Months</u> <u>Ended March 31,</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues	\$ 983,186	\$ 1,140,825	\$ 2,434,324	\$ 2,954,024
Cost of Goods Sold	<u>705,062</u>	<u>867,292</u>	<u>1,840,742</u>	<u>2,331,131</u>
Gross Profit	<u>278,124</u>	<u>273,533</u>	<u>593,582</u>	<u>622,893</u>
Research and Development Expenses, net	122,313	118,285	358,520	377,199
Selling, General and Administrative Expenses	318,581	407,406	1,003,590	1,179,520
Gain on Sale of Assets	<u>-</u>	<u>(8,480)</u>	<u>(1,515)</u>	<u>(26,948)</u>
Total Operating Expenses	<u>440,894</u>	<u>517,211</u>	<u>1,360,595</u>	<u>1,529,771</u>
Operating Loss	(162,770)	(243,678)	(767,013)	(906,878)
Interest Expense	(583)	(469)	(1,843)	(469)
Other Income	<u>-</u>	<u>22,050</u>	<u>-</u>	<u>22,050</u>
Net Loss	<u>\$ (163,353)</u>	<u>\$ (222,097)</u>	<u>\$ (768,856)</u>	<u>\$ (885,297)</u>
Loss Per Share:				
Basic	<u>\$ (0.02)</u>	<u>\$ (0.03)</u>	<u>\$ (0.09)</u>	<u>\$ (0.13)</u>
Diluted	<u>\$ (0.02)</u>	<u>\$ (0.03)</u>	<u>\$ (0.09)</u>	<u>\$ (0.13)</u>
Weighted Average Common Shares Outstanding:				
Basic	<u>8,872,916</u>	<u>7,484,197</u>	<u>8,167,320</u>	<u>7,033,090</u>
Diluted	<u>8,872,916</u>	<u>7,484,197</u>	<u>8,167,320</u>	<u>7,033,090</u>

**PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED**  
**MARCH 31, 2017 AND 2016**  
**(UNAUDITED)**

	<b>Nine Months Ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Loss	\$ (768,856)	\$ (885,297)
Adjustments to Reconcile Net Loss to Net Cash Used In Operating Activities -		
Depreciation and Amortization	24,909	18,352
Gain on Sale of Assets	(1,515)	(26,948)
Stock-based Compensation Expense	154,743	194,133
Non-cash Consulting Expense	13,500	55,050
Non-cash Gain on Settlement of Liabilities by Issuing Common Stock	-	(22,050)
Changes in Operating Assets and Liabilities -		
Accounts Receivable, net	216,458	(19,934)
Inventories, net	10,229	19,954
Prepaid Expenses	(14,225)	(35,012)
Accounts Payable	(229,445)	113,272
Customer Advances	69,421	(95,790)
Accrued Liabilities	(107,143)	(65,943)
Net Cash Used In Operating Activities	(631,924)	(750,213)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additional Patent Costs	(5,848)	(4,230)
Purchases of Property and Equipment	(27,719)	(4,554)
Proceeds from Sale of Assets	1,515	26,948
Net Cash Provided By (Used In) Investing Activities	(32,052)	18,164
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payment of Capital Lease Obligation	(5,844)	(2,094)
Gross Proceeds from Private Placement of Common Stock	780,000	700,000
Private Placement Expenses Paid as of March 31	(1,650)	(34,639)
Net Cash Provided by Financing Activities	772,506	663,267
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	108,530	(68,782)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	50,059	241,051
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	\$ 158,589	\$ 172,269
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash Paid for Income Taxes	\$ 912	\$ 912
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING AND INVESTING ACTIVITIES:</b>		
Issuance of Common Stock to Consultants	\$ -	\$ 48,300
Acquisition of Manufacturing Equipment Under Capital Lease	\$ -	\$ 43,790
Offering costs Included in Accounts Payable	\$ 22,296	-