

December 28, 2010



# Optex Systems Releases Fiscal 2010 Results

RICHARDSON, Texas, Dec. 28, 2010 (GLOBE NEWSWIRE) -- Optex Systems Holdings, Inc. (OTCBB:OPXS), a leading manufacturer of optical sighting systems and assemblies primarily for Department of Defense applications, will report operating results for its fiscal year ended October 3, 2010.

Revenues for the year ending October 3, 2010 were \$22.9 million as compared to revenues for the year ending September 27, 2009 of \$27.6 million, representing a decrease of \$4.7 million or 17%. The reduction in revenues was primarily attributable to decreased spending by the U.S government. During the year ended October 3, 2010, the net loss was (\$10.0) million compared to a net loss of (\$0.3) million for the year ended September 27, 2009. The loss is higher in 2010 as compared to 2009, primarily due to: (i) non-cash charges related to the impairment of goodwill and intangible assets of \$7.1 million and \$0.9 million respectively; (ii) lower revenues; (iii) changes in product mix; (iv) increased losses from our Howitzer product line of \$1.1 million; and (v) physical inventory valuation adjustments \$0.9 million. These charges were partially offset by decreased non-cash charges associated with intangible asset amortization in 2010 as compared to 2009. The goodwill and intangible assets of Optex Systems Holdings, Inc. were reviewed as of October 3, 2010. Based upon lower expectations of new and expected orders culminating in a lower backlog and reduced revenue forecasts. The review indicated that goodwill was impaired based on a projected cash flow analysis of Optex System Holdings' future operations.

Our EBITDA decreased by (\$2.8) million to (\$0.7) million for the year ending October 3, 2010 as compared to \$2.1 million in the year ending September 27, 2009. The decline in EBITDA was primarily attributable to decreased revenue and lower gross margins associated with changes in product mix and higher production costs as a percentage of sales. We were unable to reduce our fixed manufacturing costs at the same rate as the decline in revenues. In the last quarter of 2010, we realized a reduction in quarterly revenues of approximately 21% over the average revenues in the prior three quarters, primarily in our higher product margin business. Our overall revenues declined by 17%, or \$4.7 million, to \$22.9 million in the year ended October 3, 2010 as compared to \$27.6 million in the prior year ended September 27, 2009. We experienced a significant shift in revenue toward the unprofitable Howitzer programs that exacerbated our losses on these programs as the share of the overhead pools increased, and as overall volume declined our labor efficiencies were impacted across all product lines. Further, in September 2010, Optex received an unanticipated Howitzer program order that resulted in an immediate, realized loss of \$0.2 million. As a business with a high concentration of government contracts, we rely heavily on program cost estimates in determining our anticipated product margins. These estimates are sensitive to any significant changes in revenue, production volume and product mix, and the corresponding manufacturing overhead rates.

Danny Schoening, COO of the Company, commented, "During the year ending October 3,

2010, we experienced reductions in forecasted sales volume due to an overall reduction in the number of solicitations issued by the government and delays in awarding some existing solicitations. We continue to wait for Congress to pass the 2011 budget, and the general consensus is that ratification is imminent. Until the Congressional budget is approved, Optex and our major customers are unable to accurately update volume expectations for the coming year. We continue to focus on mitigating the decrease in governmental spending with international orders and other new business, building on our efforts over the last few months."

#### CONFERENCE CALL INFORMATION

On Wednesday, January 5, 2011 at 4:15 PM EST, the Company will host a conference call to discuss its fiscal year 2010 results. Analysts and investors interested in participating in the Conference Call should call (800) 776-0487 (domestic) or (913) 312-0840 (international), to access the call. The participant pass code is 1153824.

For those who are unavailable to listen to the live broadcast, a recording of the conference call will be made available 48 hours after the call on our website. Click on the Investor Relations link to access the replay.

#### ABOUT OPTEX SYSTEMS

Optex, which was founded in 1987, is a Richardson, Texas -based ISO 9001:2008 certified concern, which manufactures optical sighting systems and assemblies, primarily for Department of Defense (DOD) applications. Its products are installed on various types of U.S. military land vehicles, such as the Abrams and Bradley fighting vehicles, Light Armored and Armored Security Vehicles, and have been selected for installation on the Stryker family of vehicles. Optex also manufactures and delivers numerous periscope configurations, rifle and surveillance sights and night vision optical assemblies. Optex delivers its products both directly to the military services and to prime contractors. For additional information, please visit the Company's website at [www.optexsys.com](http://www.optexsys.com).

#### Safe Harbor Statement

*This press release and other written reports and oral statements made from time to time by the Company may contain so-called "forward-looking statements," all of which are subject to risks and uncertainties. You can identify these forward-looking statements by their use of words such as "expects," "plans," "will," "estimates," "forecasts," "projects" and other words of similar meaning. You can identify them by the fact that they do not relate strictly to historical or current facts. These statements are likely to address the Company's growth strategy, financial results and product and development programs. You must carefully consider any such statement and should understand that many factors could cause actual results to differ from the Company's forward-looking statements. These factors include inaccurate assumptions and a broad variety of other risks and uncertainties, including some that are known and some that are not. No forward-looking statement can be guaranteed and actual future results may vary materially.*

*The Company does not assume the obligation to update any forward-looking statement. You should carefully evaluate such statements in light of factors described in the Company's filings with the SEC, especially on Forms 10-K, 10-Q and 8-K. In various filings the*

*Company has identified important factors that could cause actual results to differ from expected or historic results. You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider any such list to be a complete list of all potential risks or uncertainties.*

*Optex Systems Holdings, Inc.  
(formerly known as Sustut Exploration, Inc.)  
Condensed Consolidated Balance Sheets*

	<u>October 3, 2010</u>	<u>September 27, 2009</u>
<b>ASSETS</b>		
<i>Current Assets</i>		
Cash	\$ 1,030,203	\$ 915,298
Accounts Receivable	2,375,283	1,802,429
Net Inventory	5,889,786	8,013,881
Prepaid Expenses	<u>244,981</u>	<u>318,833</u>
<i>Total Current Assets</i>	<i>\$ 9,540,253</i>	<i>\$11,050,441</i>
<i>Property and Equipment</i>		
Property Plant and Equipment	\$ 1,456,974	\$ 1,341,271
Accumulated Depreciation	<u>(1,160,677)</u>	<u>(1,094,526)</u>
<i>Total Property and Equipment</i>	<i>\$ 296,297</i>	<i>\$ 246,745</i>
<i>Other Assets</i>		
Deferred Tax Asset - Long Term	\$ 993,496	\$ 711,177
Security Deposits	20,684	20,684
Intangibles	0	1,965,596
Goodwill	<u>0</u>	<u>7,110,415</u>
<i>Total Other Assets</i>	<i><u>\$ 1,014,180</u></i>	<i><u>\$ 9,807,872</u></i>
<i>Total Assets</i>	<i><u><u>\$ 10,850,730</u></u></i>	<i><u><u>\$21,105,058</u></u></i>

*The accompanying notes are an integral part of these financial statements*

Optex Systems Holdings, Inc.  
(formerly known as Sustut Exploration, Inc.)  
Condensed Consolidated Balance Sheets - Continued

	<u>October 3, 2010</u>	<u>September 27, 2009</u>
<i>LIABILITIES AND STOCKHOLDERS' EQUITY</i>		
<i>Current Liabilities</i>		
Accounts Payable	\$ 763,440	\$ 2,497,322
Accrued Expenses	573,930	671,045
Accrued Warranties	25,000	81,530
Accrued Contract Losses	1,357,068	1,348,060
Credit Facility	<u>1,106,852</u>	<u>--</u>
<i>Total Current Liabilities</i>	<i>\$ 3,826,290</i>	<i>\$ 4,597,957</i>
<i>Stockholders' Equity</i>		
Optex Systems Holdings, Inc. – (par \$0.001, 200,000,000 authorized, 139,444,940 shares issued and outstanding)	\$ 139,445	\$ 139,445
Optex Systems Holdings, Inc. Preferred Stock (.001 par 5,000 authorized, 1027 series A preferred issued and outstanding)	1	1
Additional Paid-in-capital	17,162,250	16,643,388
Retained Earnings (Deficit)	<u>(10,277,256)</u>	<u>(275,733)</u>
<i>Total Stockholders' Equity</i>	<i><u>\$ 7,024,440</u></i>	<i><u>\$16,507,101</u></i>
<i>Total Liabilities and Stockholders' Equity</i>	<i><u><u>\$10,850,730</u></u></i>	<i><u><u>\$21,105,058</u></u></i>

*The accompanying notes are an integral part of these financial statements*

Optex Systems Holdings, Inc.  
(formerly known as Sustut Exploration, Inc.)  
Condensed Consolidated Statements of Operations (Unaudited)

	<i>Successor Twelve months ended October 3, 2010</i>	<i>Successor For the period October 15, 2008 through September 27, 2009</i>	<i>Predecessor For the period September 29, 2008 through October 14, 2008</i>
<i>Revenues</i>	\$ 22,902,277	\$ 26,708,799	\$ 871,938
<i>Total Cost of Sales</i>	<u>22,033,736</u>	<u>24,073,449</u>	<u>739,868</u>
<i>Gross Margin</i>	\$ 868,541	\$ 2,635,350	\$ 132,070
<i>Total General and Administrative</i>	<u>10,705,883</u>	<u>2,839,422</u>	<u>57,246</u>
<i>Operating Income (Loss)</i>	\$ (9,837,342)	\$ (204,072)	\$ 74,824
<i>Other Expenses</i>			
<i>Interest (Income) Expense - Net</i>	<u>89,338</u>	<u>170,078</u>	<u>9,492</u>
<i>Total Other</i>	\$ 89,338	\$ 170,078	\$ 9,492
<i>Income (Loss) Before Taxes</i>	\$ (9,926,680)	\$ (374,150)	\$ 65,332
<i>Current Income Taxes (Benefit)</i>	(32,389)	426,514	--
<i>Deferred Income Taxes (Benefit)</i>	<u>(282,319)</u>	<u>(711,177)</u>	<u>--</u>
<i>Net Income (Loss) After Taxes</i>	<u>\$ (9,611,972)</u>	<u>\$ (89,487)</u>	<u>\$ 65,332</u>
<i>Less preferred stock dividend</i>	<u>\$ (389,551)</u>	<u>\$ (186,246)</u>	<u>\$ --</u>
<i>Net loss applicable to common shareholders</i>	<u><u>\$(10,001,523)</u></u>	<u><u>\$ (275,733)</u></u>	<u><u>\$ 65,332</u></u>
<i>Basic and diluted loss per share</i>	<u><u>\$ (0.07)</u></u>	<u><u>\$ (0.00)</u></u>	<u><u>\$ 6.53</u></u>
<i>Weighted Average Common Shares Outstanding</i>	139,444,940	126,290,753	10,000

*The accompanying notes are an integral part of these financial statements*

	<i>Successor - Twelve months ended October 3, 2010</i>	<i>Combined - Twelve months ended September 27, 2009</i>
Net Loss Applicable to Common Shareholders - GAAP	\$ (10.0)	\$ (0.2)
<i>Add:</i>		
Interest Expense	0.1	0.2
Preferred Stock Dividend	0.4	0.2
Federal Income Taxes (Benefit)	(0.3)	(0.3)
Asset Impairment	8.0	--
Depreciation & Amortization	1.1	2.2
EBITDA - Non GAAP	\$ (0.7)	\$ 2.1
<i>Combined period includes the predecessor period of September 28, 2008 thru October 14, 2008</i>		

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Source: Optex Systems Holdings, Inc.