



NEWS RELEASE

CONTACT: Investor Relations
Irvine Sensors Corporation
714-444-8718
investorrelations@irvine-sensors.com

IRVINE SENSORS RELEASES 1st QUARTER RESULTS

FOR IMMEDIATE RELEASE

COSTA MESA, CALIFORNIA -- February 20, 2007 -- Irvine Sensors Corporation (NASDAQ: IRSN, Boston Stock Exchange: ISC) today reported operating results for its first quarter of fiscal 2007, the 13 weeks ended December 31, 2006. The current period included consolidation of Optex Systems, Inc., Irvine Sensor's subsidiary acquired December 30, 2005.

Total revenues were \$8,119,500, up approximately 70% from \$4,781,000 for the prior year's first fiscal quarter, the 13 weeks ended January 1, 2006. The current period revenue increase reflected the Optex consolidation, which did not impact revenues in the first quarter of fiscal 2006 since the Optex acquisition did not occur until the end of that quarter. Net loss for the current quarter was \$6,427,500, a 471% increase from \$1,125,100 net loss of the fiscal 2006 first quarter. The increase in net loss in the current period was largely the result of approximately \$4.4 million of non-recurring debt extinguishment loss, most of which was non-cash, which was incurred as a result of Irvine Sensors' restructuring of its bank debt and subordinated convertible notes on December 29, 2006. Absent the debt service and debt restructuring expenses, the loss from operations in the current period was \$1,196,500, approximately comparable to the \$1,112,600 loss from operations in the prior year's first quarter. The debt restructuring was the primary contributor to an increase in stockholders' equity at December 31, 2006, most of which is a timing effect derived from the valuation of warrants and a beneficial conversion feature in the Company's convertible notes.

Irvine Sensors' CEO John Carson and CFO John Stuart will host a web cast conference call to discuss the fiscal 2007 first quarter results on Monday, February 26, 2007 at 8:30 AM Pacific Time. The call will be broadcast live over the Internet and can be listened to by all interested parties via a link on Irvine Sensors' homepage at www.irvine-sensors.com, which should be accessed at least fifteen minutes prior to the start of the call to register, download, and install any necessary audio software. For those unable to monitor the live broadcast, a conference call replay will be available shortly after the conclusion of the call, and remain archived on the Irvine Sensors site through Friday, March 9, 2007.

Irvine Sensors Corporation, headquartered in Costa Mesa, California, is a vision systems company engaged in the development and sale of miniaturized infrared and electro-optical cameras, image processors and stacked chip assemblies, the manufacture and sale of optical systems and equipment for military

applications through its Optex subsidiary and research and development related to high density electronics, miniaturized sensors, optical interconnection technology, high speed network security, image processing and low-power analog and mixed-signal integrated circuits for diverse systems applications.

--00--

IRVINE SENSORS CORPORATION
CONSOLIDATED BALANCE SHEETS

(Unaudited)

	December 31, 2006	October 1, 2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,278,000	\$ 582,800
Restricted cash	39,500	42,800
Accounts receivable, net of allowance for doubtful accounts of \$131,000 and \$131,000, respectively	3,545,700	4,102,100
Unbilled revenues on uncompleted contracts	1,106,100	1,908,500
Inventory, net	8,686,100	6,735,100
Other current assets	318,000	120,900
Total current assets	14,973,400	13,492,200
Property and equipment, net	5,320,700	5,537,900
Intangible assets, net	3,672,800	2,948,800
Goodwill	12,119,200	9,103,600
Deferred costs	930,800	295,500
Deposits	117,800	117,800
Total assets	\$ 37,134,700	\$ 31,495,800
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 5,338,100	\$ 5,269,700
Accrued expenses	2,624,400	1,806,000
Success fee payable to related party	500,000	500,000
Accrued estimated loss on contracts	98,600	68,300
Advance billings on uncompleted contracts	200,400	181,600
Deferred revenue	55,800	144,100
Settlement fee payable	-	1,250,000
Income taxes payable	124,600	205,800
Net deferred tax liabilities	501,400	485,800
Capital lease obligations – current portion	65,400	70,000
Total current liabilities	9,508,700	9,981,300
Note payable – senior term, net of discounts	6,730,000	6,031,600
Notes payable – convertible, net of discounts	-	8,998,800
Promissory note – related party	400,000	-
Capital lease obligations, less current portion	35,100	49,100
Minority interest in consolidated subsidiaries	409,600	2,105,100
Total liabilities	17,083,400	27,165,900
Stockholders' equity:		
Common stock, \$0.01 par value, 80,000,000 shares authorized; 24,726,000 and 19,965,900 shares issued and outstanding, respectively	247,300	199,700
Common stock warrants; 5,444,900 and 2,227,100 warrants outstanding, respectively	-	-
Deferred stock-based compensation	(1,067,100)	-
Common stock held by Rabbi Trust	(1,144,000)	(939,000)
Deferred compensation liability	1,144,000	939,000
Paid-in capital	147,704,200	124,535,800
Accumulated deficit	(126,833,100)	(120,405,600)
Total stockholders' equity	20,051,300	4,329,900
	\$ 37,134,700	\$ 31,495,800

IRVINE SENSORS CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	13 Weeks Ended	
	December 31, 2006	January 1, 2006
Revenues:		
Contract research and development revenue	\$ 4,004,200	\$ 4,256,700
Product sales	4,111,400	508,700
Other revenue	3,900	15,600
Total revenues	8,119,500	4,781,000
Cost and expenses:		
Cost of contract research and development revenue	3,358,000	3,371,000
Cost of product sales	3,296,600	382,200
General and administrative expense	2,530,000	2,071,000
Research and development expense	131,400	69,400
Total costs and expenses	9,316,000	5,893,600
Loss from operations	(1,196,500)	(1,112,600)
Interest expense	(910,200)	(8,300)
Loss on extinguishment of debt	(4,398,000)	-
Interest and other income	400	1,600
Loss before minority interest and provision for income taxes	(6,504,300)	(1,119,300)
Minority interest in loss of subsidiaries	84,700	300
Provision for income taxes	(7,900)	(6,100)
Net loss	\$ (6,427,500)	\$ (1,125,100)
Basic and diluted net loss per common share	\$ (0.32)	\$ (0.06)
Weighted average number of common shares outstanding	20,123,500	19,194,300