



NEWS RELEASE

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

IRVINE SENSORS RELEASES MID-FISCAL 2007 RESULTS

FOR IMMEDIATE RELEASE

COSTA MESA, CALIFORNIA -- May 15, 2007 -- Irvine Sensors Corporation (NASDAQ: IRSN, Boston Stock Exchange: IRSN) today reported operating results for its second quarter and first half of fiscal 2007, the 13 and 26 weeks ended April 1, 2007. The current 13-week period was the first in which Optex Systems, Inc., Irvine Sensors' subsidiary, was fully consolidated due the acquisition of an Optex minority interest on December 29, 2006, following the initial acquisition by Irvine Sensors of a 70% interest in Optex on December 30, 2005.

Largely as a result of the Optex acquisition, total revenues were up in both the 13-week and 26-week periods measured against the comparable periods of last year. Total revenues for the 13 weeks ended April 1, 2007 were \$8,009,500, up modestly from \$7,857,500 in the 13-week period ended April 2, 2006. Total revenues in the current 26-week period were \$16,129,000, an approximate 28% increase from the 12,638,500 at the mid-year point of fiscal 2006, reflecting the current year contribution of Optex for two quarters as opposed to only one last year.

Net loss in both the current 13-week and 26-week periods was heavily impacted by the largely non-cash debt extinguishment and debt discount expenses recorded as a result of the refinancing of the Company's debt on December 29, 2006. Net loss for the current quarter was \$5,035,900 as compared to \$2,458,300 for the fiscal 2006 second quarter. Net loss for the 26 weeks ended April 1, 2007 was \$11,463,400 as compared to \$3,583,400 for the 26 weeks ended April 2, 2006. Loss from operations in the current 13-week and 26-week periods increased over the comparable periods of last year by approximately \$1.2 million and \$1.3 million, respectively, reflecting approximate \$1.1 million and \$1.6 million increases in general and administrative expense in the respective current year periods, much of which was derived from the acquisition of Optex and the refinancing of the related debt. The debt refinancing was also the primary contributor to an increase in stockholders' equity at April 1, 2007, most of which is a timing effect derived from the valuation of warrants and a beneficial conversion feature in the Company's convertible notes.

As previously announced, Irvine Sensors' CEO John Carson and CFO John Stuart will host a web cast conference call to discuss the fiscal 2007 first half results on Thursday, May 17, 2007 at 1:15 PM 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, June 1, 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.

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IRVINE SENSORS CORPORATION
CONSOLIDATED BALANCE SHEETS

(Unaudited)

	April 1, 2007	October 1, 2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,358,100	\$ 582,800
Restricted cash	41,800	42,800
Accounts receivable, net of allowance for doubtful accounts of \$131,000 and \$131,000, respectively	2,878,900	4,102,100
Unbilled revenues on uncompleted contracts	1,018,600	1,908,500
Inventory, net	9,562,100	6,735,100
Prepaid expenses and other current assets	437,200	120,900
Total current assets	15,296,700	13,492,200
Property and equipment, net	5,572,400	5,537,900
Intangible assets, net	3,368,700	2,948,800
Goodwill	12,119,200	9,103,600
Deferred costs	806,700	295,500
Deposits	119,000	117,800
Total assets	\$ 37,282,700	\$ 31,495,800
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 5,499,500	\$ 5,269,700
Accrued expenses	3,489,600	1,806,000
Success fee payable to related party	500,000	500,000
Accrued estimated loss on contracts	60,500	68,300
Advance billings on uncompleted contracts	87,600	181,600
Deferred revenue	230,900	144,100
Settlement fee payable	-	1,250,000
Income taxes payable	105,700	205,800
Net deferred tax liabilities	501,400	485,800
Promissory note payable – related party	400,000	-
Capital lease obligations – current portion	70,700	70,000
Total current liabilities	10,945,900	9,981,300
Note payable – senior term, net of discounts	6,885,400	6,031,600
Notes payable – convertible, net of discounts	768,700	8,998,800
Subordinated term loan – related party	2,000,000	-
Capital lease obligations, less current portion	54,700	49,100
Minority interest in consolidated subsidiaries	324,900	2,105,100
Total liabilities	20,979,600	27,165,900
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Common stock, \$0.01 par value, 80,000,000 shares authorized; 25,373,100 and 19,965,900 shares issued and outstanding, respectively	253,700	199,700
Common stock warrants; 5,444,900 and 2,227,100 warrants outstanding, respectively	-	-
Deferred stock-based compensation	(685,200)	-
Common stock held by Rabbi Trust	(1,115,100)	(939,000)
Deferred compensation liability	1,115,100	939,000
Paid-in capital	148,603,600	124,535,800
Accumulated deficit	(131,869,000)	(120,405,600)
Total stockholders' equity	16,303,100	4,329,900
	\$ 37,282,700	\$ 31,495,800

IRVINE SENSORS CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	13 Weeks Ended		26 Weeks Ended	
	April 1, 2007	April 2, 2006	April 1, 2007	April 2, 2006
Revenues:				
Contract research and development revenue	\$ 3,942,300	\$ 3,316,900	\$ 7,946,500	\$ 7,573,600
Product sales	4,061,000	4,518,900	8,172,400	5,027,600
Other revenue	6,200	21,700	10,100	37,300
Total revenues	<u>8,009,500</u>	<u>7,857,500</u>	<u>16,129,000</u>	<u>12,638,500</u>
Cost and expenses:				
Cost of contract research and development revenue	3,434,600	3,042,200	6,792,600	6,413,200
Cost of product sales	3,216,400	3,736,300	6,513,000	4,118,500
General and administrative expense	3,781,500	2,672,000	6,311,500	4,742,200
Research and development expense	441,900	78,400	573,300	147,800
Total costs and expenses	<u>10,874,400</u>	<u>9,528,900</u>	<u>20,190,400</u>	<u>15,421,700</u>
Loss from operations	(2,864,900)	(1,671,400)	(4,061,400)	(2,783,200)
Interest expense	(2,261,800)	(443,100)	(3,172,000)	(451,400)
Loss on extinguishment of debt	-	-	(4,398,000)	-
Change in fair value of derivative instrument	-	(317,800)	-	(317,800)
Interest and other income	1,000	200	1,400	1,800
Loss before minority interest and provision for income taxes	(5,125,700)	(2,432,100)	(11,630,000)	(3,550,600)
Minority interest in loss (income) of subsidiaries	300	(14,800)	85,000	(14,500)
Benefit (provision) for income taxes	89,500	(11,400)	81,600	(18,300)
Net loss	<u>\$(5,035,900)</u>	<u>\$(2,458,300)</u>	<u>\$(11,463,400)</u>	<u>\$(3,583,400)</u>
Basic and diluted net loss per common share	<u>\$ (0.20)</u>	<u>\$ (0.13)</u>	<u>\$ (0.51)</u>	<u>\$ (0.19)</u>
Weighted average number of common shares outstanding	<u>25,169,000</u>	<u>19,474,700</u>	<u>22,646,200</u>	<u>19,355,700</u>