



NEWS RELEASE

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IRVINE SENSORS RELEASES 3rd QUARTER 2007 RESULTS

FOR IMMEDIATE RELEASE

COSTA MESA, CALIFORNIA -- August 15, 2007 -- Irvine Sensors Corporation (NASDAQ: IRSN, Boston Stock Exchange: IRSN) today reported operating results for its third quarter and first three quarters of fiscal 2007, the 13 and 39 weeks ended July 1, 2007. The second and third quarters of fiscal 2007 include the effects of the full consolidation of Optex Systems, Inc., Irvine Sensors' subsidiary, resulting from the December 29, 2006 acquisition of an Optex minority interest remaining after the initial acquisition by Irvine Sensors of a 70% interest in Optex on December 30, 2005.

Total revenues were up in both the 13-week and 39-week periods measured against the comparable periods of last year, with increases in both contract research and development revenue and product sales. Total revenues for the 13 weeks ended July 1, 2007 were \$9,638,800, an approximate increase of 11% from \$8,697,000 in the 13-week period ended July 2, 2006. Total revenues in the current 39-week period were \$25,765,800, up approximately 21% from the \$21,335,500 through three quarters of fiscal 2006, partly due to the current year revenue contribution of Optex for three quarters as opposed to only two last year.

Net loss in both the current 13-week and 39-week periods continued to be 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 fiscal 2007 third quarter was \$4,714,500 as compared to \$1,572,600 for the comparable quarter of fiscal 2006. Net loss for the 39 weeks ended July 1, 2007 was \$16,177,900 as compared to \$5,156,000 for the 39 weeks ended July 2, 2006.

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 three quarter results on Wednesday, August 15, 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, August 31, 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)

	July 1, 2007	October 1, 2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,006,900	\$ 582,800
Restricted cash	39,300	42,800
Accounts receivable, net of allowance for doubtful accounts of \$138,000 and \$131,000, respectively	3,153,400	4,102,100
Unbilled revenues on uncompleted contracts	897,900	1,908,500
Inventory, net	9,263,400	6,735,100
Prepaid expenses and other current assets	201,100	120,900
Total current assets	14,562,000	13,492,200
Property and equipment, net	5,514,000	5,537,900
Intangible assets, net	3,074,500	2,948,800
Goodwill	12,119,200	9,103,600
Deferred costs	701,200	295,500
Deposits	120,800	117,800
Total assets	\$ 36,091,700	\$ 31,495,800
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 5,664,000	\$ 5,269,700
Accrued expenses	3,329,300	1,806,000
Success fee payable to related party	500,000	500,000
Accrued estimated loss on contracts	769,700	68,300
Advance billings on uncompleted contracts	197,100	181,600
Deferred revenue	650,000	144,100
Settlement fee payable	-	1,250,000
Income taxes payable	99,800	205,800
Net deferred tax liabilities	501,300	485,800
Notes payable – convertible, net of discounts – current	1,202,600	-
Promissory note payable – related party	400,000	-
Capital lease obligations – current portion	60,400	70,000
Total current liabilities	13,374,200	9,981,300
Note payable – senior term, net of discounts	7,049,500	6,031,600
Notes payable – convertible, net of discounts	259,100	8,998,800
Subordinated term loan – related party	2,000,000	-
Capital lease obligations, less current portion	43,200	49,100
Minority interest in consolidated subsidiaries	324,900	2,105,100
Total liabilities	23,050,900	27,165,900
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Common stock, \$0.01 par value, 80,000,000 shares authorized; 26,209,200 and 19,965,900 shares issued and outstanding, respectively	262,100	199,700
Common stock warrants; 5,644,900 and 2,227,100 warrants outstanding, respectively	-	-
Deferred stock-based compensation	(550,500)	-
Common stock held by Rabbi Trust	(1,115,100)	(939,000)
Deferred compensation liability	1,115,100	939,000
Paid-in capital	149,912,700	124,535,800
Accumulated deficit	(136,583,500)	(120,405,600)
Total stockholders' equity	13,040,800	4,329,900
	\$ 36,091,700	\$ 31,495,800

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	13 Weeks Ended		39 Weeks Ended	
	July 1, 2007	July 2, 2006	July 1, 2007	July 2, 2006
Revenues:				
Contract research and development revenue	\$ 4,410,000	\$ 4,095,000	\$ 12,356,500	\$ 11,668,600
Product sales	5,221,900	4,599,100	13,394,300	9,626,700
Other revenue	4,900	2,900	15,000	40,200
Total revenues	9,636,800	8,697,000	25,765,800	21,335,500
Cost and expenses:				
Cost of contract research and development revenue	3,445,600	3,071,700	10,238,200	9,484,900
Cost of product sales	5,676,100	4,112,900	12,189,100	8,231,400
General and administrative expense	3,191,200	2,422,800	9,502,700	7,165,000
Research and development expense	233,100	174,300	806,400	322,100
Total costs and expenses	12,546,000	9,781,700	32,736,400	25,203,400
Loss from operations	(2,909,200)	(1,084,700)	(6,970,600)	(3,867,900)
Interest expense	(1,803,800)	(349,800)	(4,975,800)	(801,200)
Loss on extinguishment of debt	-	-	(4,398,000)	-
Change in fair value of derivative instrument	-	-	-	(317,800)
Gain (loss) on disposal of assets	(200)	1,100	(200)	1,100
Interest and other income	2,200	500	3,600	2,300
Loss before minority interest and provision for income taxes	(4,711,000)	(1,432,900)	(16,341,000)	(4,983,500)
Minority interest in loss (income) of subsidiaries	100	(130,000)	85,100	(144,500)
Benefit (provision) for income taxes	(3,600)	(9,700)	78,000	(28,000)
Net loss	\$(4,714,500)	\$(1,572,600)	\$(16,177,900)	\$(5,156,000)
Basic and diluted net loss per common share	\$ (0.18)	\$ (0.08)	\$ (0.69)	\$ (0.26)
Weighted average number of common shares outstanding	25,808,200	19,695,500	23,613,700	19,482,300