



NEWS RELEASE

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IRVINE SENSORS RELEASES FISCAL 2007 RESULTS

FOR IMMEDIATE RELEASE

COSTA MESA, CALIFORNIA -- January 15, 2008 -- Irvine Sensors Corporation (NASDAQ: IRSN) today reported operating results for its fiscal 2007, the 52 weeks ended September 30, 2007. The consolidated financial statements in the Company's Form 10-K filed today also present the effects of a restatement of its fiscal 2006 Consolidated Balance Sheet and its Consolidated Statements of Operations, Stockholders' Equity and Cash Flows for fiscal 2006 and fiscal 2005 and its unaudited quarterly financial statements for the first three fiscal quarters in fiscal 2007 and fiscal 2006 resulting from correction of an accounting error related to a long-term deferred compensation plan, as previously summarized in the Company's Form 8-K filed December 31, 2007. These financial statements are accompanied by a report by the Company's independent auditors that expresses an unqualified opinion and contains an explanatory paragraph relating to substantial doubt about the Company's ability to continue as a going concern.

Total revenues increased nearly \$5 million in fiscal 2007, to \$35,784,600 as compared to \$30,825,700 in fiscal 2006. Approximately \$15.4 million, or 43%, of fiscal 2007 total revenues were derived from sales realized by the Company's Optex subsidiary, which became fully consolidated in fiscal 2007.

Net loss in fiscal 2007 was approximately \$22.1 million up nearly \$13.8 million from the approximate \$8.4 million net loss of fiscal 2006. Over \$9 million of the increase in net loss was derived from non-cash imputed expenses related to the Company's refinancing of its debt in December 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 results and restatement on Thursday, January 17, 2008 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, February 1, 2008.

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.

IRVINE SENSORS CORPORATION
CONSOLIDATED BALANCE SHEETS

	September 30, 2007	October 1, 2006 As Restated
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,442,300	\$ 582,800
Restricted cash	39,600	42,800
Accounts receivable, net of allowance for doubtful accounts of \$15,000 and \$131,000, respectively	3,614,600	4,102,100
Unbilled revenues on uncompleted contracts	1,289,300	1,908,500
Inventory, net	7,011,500	6,735,100
Prepaid expenses and other current assets	74,100	120,900
Total current assets	13,471,400	13,492,200
Property and equipment, net	5,771,400	5,537,900
Intangible assets, net	2,880,400	2,948,800
Goodwill	11,633,500	9,103,600
Deferred costs	587,200	295,500
Deposits	86,500	117,800
Total assets	\$ 34,430,400	\$ 31,495,800
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 5,949,900	\$ 5,269,700
Accrued expenses	2,638,700	1,990,700
Success fee payable to related party	500,000	500,000
Accrued estimated loss on contracts	1,577,400	68,300
Advance billings on uncompleted contracts	378,100	181,600
Deferred revenue	156,500	144,100
Settlement fee payable	-	1,250,000
Income taxes payable	31,400	205,800
Net deferred tax liabilities	-	485,800
Promissory note payable – related party	400,000	-
Capital lease obligations – current portion	40,300	70,000
Total current liabilities	11,672,300	10,166,000
Note payable – senior term, net of discounts	7,223,000	6,031,600
Notes payable – convertible, net of discounts	2,111,300	8,998,800
Promissory note payable – other, net of discounts	1,535,000	-
Subordinated term loan – related party	2,000,000	-
Deferred interest	1,241,200	-
Executive Salary Continuation Plan liability	3,800,500	3,933,600
Capital lease obligations, less current portion	45,000	49,100
Minority interest in consolidated subsidiaries	324,800	2,105,100
Total liabilities	29,953,100	31,284,200
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.01 par value, 80,000,000 shares authorized; 26,842,900 and 19,965,900 shares issued and outstanding, respectively	268,400	199,700
Common stock warrants; 6,144,900 and 2,227,100 warrants outstanding, respectively	-	-
Deferred stock-based compensation	(299,700)	-
Common stock held by Rabbi Trust	(1,115,100)	(939,000)
Deferred compensation liability	1,115,100	939,000
Paid-in capital	151,163,600	124,535,800
Accumulated deficit	(146,655,000)	(124,523,900)
Total stockholders' equity	4,477,300	211,600
	\$ 34,430,400	\$ 31,495,800

CONSOLIDATED STATEMENTS OF OPERATIONS

	Fiscal Year Ended		
	September 30, 2007	October 1, 2006 <u>As Restated</u>	October 2, 2005 <u>As Restated</u>
Revenues:			
Contract research and development revenue	\$ 17,137,700	\$ 16,503,700	\$ 20,664,300
Product sales	18,617,100	14,263,200	2,287,700
Other revenue	29,800	58,800	97,000
Total revenues	<u>35,784,600</u>	<u>30,825,700</u>	<u>23,049,000</u>
Cost and expenses:			
Cost of contract research and development revenue	13,550,100	13,588,500	15,310,100
Cost of product sales	19,851,700	12,830,800	1,944,100
General and administrative expense	12,080,800	9,605,700	6,434,100
Research and development expense	1,119,800	353,700	829,500
Total costs and expenses	<u>46,602,400</u>	<u>36,378,700</u>	<u>24,517,800</u>
Loss from operations	(10,817,800)	(5,553,000)	(1,468,800)
Interest expense	(7,162,900)	(1,226,000)	(43,000)
Loss on extinguishment of debt	(4,398,000)	-	-
Settlement fee on debt default	-	(1,250,000)	-
Other expense	-	(317,800)	(94,800)
Gain (loss) on disposal and impairment of assets	4,700	1,100	(5,800)
Interest and other income	6,300	26,400	13,100
Loss from continuing operations before minority interest and provision for income taxes	(22,367,700)	(8,319,300)	(1,599,300)
Minority interest in loss of subsidiaries	85,100	2,700	9,100
Benefit (provision) for income taxes	151,500	(34,100)	(16,100)
Loss from continuing operations	(22,131,100)	(8,350,700)	(1,606,300)
Discontinued operations:			
Loss from operations of discontinued subsidiary	-	-	(55,400)
Loss on abandonment of assets	-	-	(121,900)
Loss from discontinued operations	-	-	(177,300)
Net loss	<u>\$(22,131,100)</u>	<u>\$ (8,350,700)</u>	<u>\$ (1,783,600)</u>
Basic and diluted net loss per share information:			
From continuing operations	\$ (0.91)	\$ (0.43)	\$ (0.09)
From discontinued operations	(0.00)	(0.00)	(0.01)
Basic and diluted net loss per common share	<u>\$ (0.91)</u>	<u>\$ (0.43)</u>	<u>\$ (0.10)</u>
Weighted average number of shares outstanding	<u>24,363,700</u>	<u>19,595,800</u>	<u>18,392,500</u>