



NEWS RELEASE

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IRVINE SENSORS RELEASES FIRST HALF FISCAL 2008 RESULTS Total Revenues Set Quarterly and Mid-Year Records

FOR IMMEDIATE RELEASE

COSTA MESA, CALIFORNIA -- May 15, 2008 -- Irvine Sensors Corporation (NASDAQ: IRSN) today reported operating results for its second quarter and first half of fiscal 2008, the 13 and 26 weeks ended March 30, 2008.

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 March 30, 2008 were \$11,062,200, an approximate 38% increase from \$8,009,500 in the 13 weeks ended April 1, 2007, setting a new quarterly total revenue record for the Company. Total revenues in the current 26-week period also set a new record for the first half of an Irvine Sensors' fiscal year, reaching \$19,036,600, up approximately 18% from the \$16,129,000 of total revenues for the first half of fiscal 2007. Both the 13-week and 26-week records were largely the result of increased sales at the Company's Optex subsidiary.

Net loss in the 13-week period ended March 30, 2008 was \$3,466,900, an approximate 31% reduction from \$5,002,600 in the second quarter of last year. Net loss through the first half of fiscal 2008 was reduced approximately 37% to \$7,180,400 as compared to \$11,396,800 for the first 26 weeks of fiscal 2007.

The Company also released a pro-forma balance sheet showing the effect of the debt exchange completed in early April as though it had been consummated effective March 30, 2008. The net effect of the transaction was a substantial increase in equity, bringing the Company back into compliance with the Nasdaq listing maintenance standard for stockholders' equity.

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)

	March 30, 2008 Pro Forma	March 30, 2008	September 30, 2007
Assets			
Current assets:			
Cash and cash equivalents	\$	\$ 1,233,100	\$ 1,442,300
Restricted cash		39,600	39,600
Accounts receivable, net of allowance for doubtful accounts of \$15,000 and \$15,000, respectively		4,079,500	3,614,600
Unbilled revenues on uncompleted contracts, net of allowance of \$150,000 and \$0, respectively		1,585,000	1,289,300
Inventory, net		6,020,200	7,011,500
Prepaid expenses and other current assets		369,700	74,100
Total current assets	13,327,100	13,327,100	13,471,400
Property and equipment, net		5,589,000	5,771,400
Intangible assets, net		2,379,400	2,880,400
Goodwill		11,633,500	11,633,500
Deferred costs		437,200	587,200
Deposits		122,300	86,500
Total assets	\$ 33,488,500	\$ 33,488,500	\$ 34,430,400
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable	\$	\$ 6,084,200	\$ 5,949,900
Accrued expenses		4,102,700	2,638,700
Success fee payable to related party		-	500,000
Accrued estimated loss on contracts		1,002,600	1,577,400
Advance billings on uncompleted contracts		14,900	378,100
Deferred revenue		132,000	156,500
Income taxes payable		37,200	31,400
Promissory note payable – related party		400,000	400,000
Subordinated term loan – related party		2,000,000	-
Capital lease obligations – current portion		36,800	40,300
Total current liabilities	13,810,400	13,810,400	11,672,300
Restructured debt, net of discounts	10,115,400	12,926,900	10,869,300
Subordinated term loan – related party	-	-	2,000,000
Deferred interest	823,300	2,011,800	1,241,200
Executive Salary Continuation Plan liability		3,733,800	3,800,500
Capital lease obligations, less current portion		22,600	45,000
Minority interest in consolidated subsidiaries		324,700	324,800
Total liabilities	28,830,200	32,830,200	29,953,100
Commitments and contingencies (Note 12)			
Stockholders' equity:			
Common stock, \$0.01 par value, 80,000,000 shares authorized; 30,587,200 and 26,842,900 shares issued and outstanding, respectively		305,900	268,400
Common stock warrants; 6,644,900 and 6,144,900 warrants outstanding, respectively		-	-
Preferred stock, \$0.01 par value, 500,000 shares authorized; 0 and 0 shares issued and outstanding, respectively (pro forma 133,300)	1,300	-	-
Deferred stock-based compensation		(774,100)	(299,700)
Common stock held by Rabbi Trust		(1,214,100)	(1,115,100)
Deferred compensation liability		1,214,100	1,115,100
Paid-in capital	158,960,600	154,961,900	151,163,600
Accumulated deficit		(153,835,400)	(146,655,000)
Total stockholders' equity	4,658,300	658,300	4,477,300
	\$ 33,488,500	\$ 33,488,500	\$ 34,430,400

IRVINE SENSORS CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	13 Weeks Ended		26 Weeks Ended	
	March 30, 2008	April 1, 2007 As Restated (1)	March 30, 2008	April 1, 2007 As Restated (1)
Revenues:				
Contract research and development revenue	\$ 4,364,500	\$ 3,942,300	\$ 7,076,200	\$ 7,946,500
Product sales	6,694,700	4,061,000	11,947,900	8,172,400
Other revenue	3,000	6,200	12,500	10,100
Total revenues	11,062,200	8,009,500	19,036,600	16,129,000
Cost and expenses:				
Cost of contract research and development revenue	3,368,300	3,434,600	5,691,600	6,792,600
Cost of product sales	5,792,300	3,216,400	10,308,400	6,513,000
General and administrative expense	3,240,200	3,748,200	6,081,500	6,244,900
Research and development expense	295,500	441,900	640,100	573,300
Total costs and expenses	12,696,300	10,841,100	22,721,600	20,123,800
Loss from operations	(1,634,100)	(2,831,600)	(3,685,000)	(3,994,800)
Interest expense	(1,822,700)	(2,261,800)	(3,482,300)	(3,172,000)
Loss on extinguishment of debt	-	-	-	(4,398,000)
Gain (loss) on disposal of assets	(1,600)	-	800	-
Interest and other income	600	1,000	1,000	1,400
Loss before minority interest and provision for income taxes	(3,457,800)	(5,092,400)	(7,165,500)	(11,563,400)
Minority interest in loss of subsidiaries	-	300	100	85,000
Benefit (provision) for income taxes	(9,100)	89,500	(15,000)	81,600
Net loss	\$ (3,466,900)	\$(5,002,600)	\$ (7,180,400)	\$(11,396,800)
Basic and diluted net loss per common share	\$ (0.12)	\$ (0.20)	\$ (0.25)	\$ (0.50)
Weighted average number of common shares outstanding	29,767,900	25,169,000	28,622,300	22,646,200