



NEWS RELEASE

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IRVINE SENSORS RELEASES THIRD QUARTER RESULTS

FOR IMMEDIATE RELEASE

COSTA MESA, CALIFORNIA -- August 13, 2008 -- Irvine Sensors Corporation (NASDAQ: IRSN) today reported operating results for its third quarter and first three quarters of fiscal 2008, the 13 and 39 weeks ended June 29, 2008.

Total revenues for the 13 weeks ended June 29, 2008 were \$8,561,000 compared to total revenues of \$9,636,800 for the 13-week period ended July 1, 2007. Total revenues for the 39 weeks ended June 29, 2008 were \$27,597,600, a record for the first three quarters of an Irvine Sensors' fiscal year and up from total revenues of \$25,765,800 for the 39-week period ended July 1, 2007. The 39-week record reflected revenue increases realized earlier in fiscal 2008.

Net loss in the 13-week period ended June 29, 2008 was \$2,609,300, an approximate 44% reduction from \$4,681,200 in the third quarter of last year. Net loss through the 39 weeks of fiscal 2008 was reduced approximately 39% to \$9,789,700 as compared to \$16,078,000 for the first three quarters of fiscal 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)

	June 29, 2008	September 30, 2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 686,800	\$ 1,442,300
Restricted cash	40,800	39,600
Accounts receivable, net of allowance for doubtful accounts of \$15,000 and \$15,000, respectively	2,651,200	3,614,600
Unbilled revenues on uncompleted contracts, net of allowance of \$150,000 and \$0, respectively	1,380,200	1,289,300
Inventory, net	6,990,900	7,011,500
Prepaid expenses and other current assets	354,100	74,100
Total current assets	12,104,000	13,471,400
Property and equipment, net	5,105,100	5,771,400
Intangible assets, net	2,205,200	2,880,400
Goodwill	11,633,500	11,633,500
Deferred costs	349,900	587,200
Deposits	121,700	86,500
Total assets	\$ 31,519,400	\$ 34,430,400
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 6,007,100	\$ 5,949,900
Accrued expenses	3,724,300	2,638,700
Success fee payable to related party	-	500,000
Accrued estimated loss on contracts	355,600	1,577,400
Advance billings on uncompleted contracts	44,000	378,100
Deferred revenue	70,500	156,500
Income taxes payable	33,600	31,400
Promissory note payable – related party	400,000	400,000
Subordinated term loan – related party	2,000,000	-
Capital lease obligations – current portion	32,700	40,300
Total current liabilities	12,667,800	11,672,300
Restructured debt, net of discounts	10,810,500	10,869,300
Subordinated term loan – related party	-	2,000,000
Deferred interest	1,273,400	1,241,200
Executive Salary Continuation Plan liability	3,700,700	3,800,500
Capital lease obligations, less current portion	17,000	45,000
Minority interest in consolidated subsidiaries	324,600	324,800
Total liabilities	28,794,000	29,953,100
Stockholders' equity:		
Preferred stock, \$0.01 par value, 500,000 shares authorized; 126,000 and 0 shares issued and outstanding, respectively	1,300	-
Common stock, \$0.01 par value, 80,000,000 shares authorized; 31,464,500 and 26,842,900 shares issued and outstanding, respectively	314,600	268,400
Common stock warrants; 6,644,900 and 6,144,900 warrants outstanding, respectively	-	-
Prepaid stock-based compensation	(24,800)	-
Deferred stock-based compensation	(338,900)	(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	159,217,900	151,163,600
Accumulated deficit	(156,444,700)	(146,655,000)
Total stockholders' equity	2,725,400	4,477,300
	\$ 31,519,400	\$ 34,430,400

IRVINE SENSORS CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	13 Weeks Ended		39 Weeks Ended	
	June 29, 2008	July 1, 2007 As Restated	June 29, 2008	July 1, 2007 As Restated
Revenues:				
Contract research and development revenue	\$ 4,189,900	\$ 4,410,000	\$ 11,266,100	\$ 12,356,500
Product sales	4,363,100	5,221,900	16,311,000	13,394,300
Other revenue	8,000	4,900	20,500	15,000
Total revenues	8,561,000	9,636,800	27,597,600	25,765,800
Cost and expenses:				
Cost of contract research and development revenue	3,176,700	3,445,600	8,868,300	10,238,200
Cost of product sales	3,183,600	5,676,100	13,492,000	12,189,100
General and administrative expense	3,156,300	3,157,900	9,237,800	9,402,800
Research and development expense	454,600	233,100	1,094,700	806,400
Total costs and expenses	9,971,200	12,512,700	32,692,800	32,636,500
Loss from operations	(1,410,200)	(2,875,900)	(5,095,200)	(6,870,700)
Interest expense	(1,510,600)	(1,803,800)	(4,992,900)	(4,975,800)
Loss on extinguishment of debt	-	-	-	(4,398,000)
Gain (loss) on disposal of assets	314,800	(200)	315,600	(200)
Interest and other income	900	2,200	1,900	3,600
Loss before minority interest and provision for income taxes	(2,605,100)	(4,677,700)	(9,770,600)	(16,241,100)
Minority interest in loss of subsidiaries	100	100	200	85,100
Benefit (provision) for income taxes	(4,300)	(3,600)	(19,300)	78,000
Net loss	\$ (2,609,300)	\$(4,681,200)	\$ (9,789,700)	\$(16,078,000)
Basic and diluted net loss per common share	\$ (0.09)	\$ (0.18)	\$ (0.34)	\$ (0.68)
Weighted average number of common shares outstanding	30,590,300	25,808,200	29,171,400	23,613,700