



## NEWS RELEASE

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### IRVINE SENSORS RELEASES FISCAL 2010 FIRST HALF RESULTS

FOR IMMEDIATE RELEASE

COSTA MESA, CALIFORNIA -- May 12, 2010 -- Irvine Sensors Corporation (NASDAQ: IRSN) today reported operating results for its second quarter and first half of fiscal 2010, the 13 and 26 weeks ended March 28, 2010.

Total revenues for the 13 weeks ended March 28, 2010 were \$2,721,400, down 4% as compared to \$2,841,200 in the 13 weeks ended March 29, 2009. Total revenues in the fiscal 2010 26-week period were \$5,931,600, up 6% from \$5,584,700 in the first half of fiscal 2009.

The 13-week and 26-week current fiscal year periods experienced a net loss attributable to the Company as compared to net income attributable to the Company in the prior fiscal year 13-week and 26-week periods. Both the current and prior fiscal year periods reflected the recording of significant non-recurring events. The current fiscal year periods included an approximate net \$1.8 million expense for the final settlement of multiple lawsuits with Timothy Looney, the former owner of the Company's discontinued Optex subsidiary, some of which had been underway since January 2008. The prior fiscal year periods included an approximate \$8.6 million gain from a sale of patent assets.

Net loss attributable to the Company in the 13-week period ended March 28, 2010 was \$(3,419,600) as compared to the net income attributable to the Company of \$5,128,000 for the 13-week period March 29, 2009. Net loss attributable to the Company through the first half of fiscal 2010 was \$(5,136,300), as compared to the net income attributable to the Company of \$3,013,900 for the first 26 weeks of fiscal 2009.

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 and sale of higher level systems incorporating such products. Irvine Sensors also conducts 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**

	March 28, 2010 (Unaudited)	September 27, 2009
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 110,600	\$ 125,700
Accounts receivable, net of allowance for doubtful accounts of \$15,000 and \$15,000, respectively	1,059,400	1,396,300
Unbilled revenues on uncompleted contracts	765,900	885,300
Inventory, net	928,500	441,100
Prepaid expenses and other current assets	365,700	53,200
Total current assets	3,230,100	2,901,600
Property and equipment, net	2,364,800	2,845,200
Intangible assets, net	50,500	67,300
Deferred financing costs	501,900	-
Deposits	37,400	37,500
Total assets	\$ 6,184,700	\$ 5,851,600
<b>Liabilities and Stockholders' Deficit</b>		
Current liabilities:		
Accounts payable	\$ 3,723,900	\$ 3,427,100
Accrued expenses	3,707,800	3,730,800
Accrued estimated loss on contracts	15,000	-
Advance billings on uncompleted contracts	323,700	249,600
Advances against accounts receivable	329,100	985,800
Deferred revenue	12,400	180,000
Restructured debt, net of debt discounts	163,100	188,400
Promissory note payable – related party	-	400,000
Debentures, net of debt discounts	1,398,500	-
Capital lease obligations	2,000	11,200
Total current liabilities	9,675,500	9,172,900
Secured promissory note	2,500,000	-
Executive Salary Continuation Plan liability	935,900	1,057,600
Total liabilities	13,111,400	10,230,500
Commitments and contingencies		
Stockholders' deficit:		
Preferred stock, \$0.01 par value, 1,000,000 and 1,000,000 shares authorized, respectively; Series A-1 – 20,800 (unaudited) and 99,900 shares issued and outstanding, respectively (1); liquidation preference of \$670,800 (unaudited) and \$3,586,200, respectively;	500	1,200
Series A-2 – 22,500 (unaudited) and 25,000 shares issued and outstanding, respectively (1); liquidation preference of \$908,700 (unaudited) and \$1,043,500, respectively;		
Series B -3,500 (unaudited) and 0 shares issued and outstanding, respectively (1); liquidation preference of \$3,490,000 (unaudited) and \$0, respectively		
Common stock, \$0.01 par value, 150,000,000 and 150,000,000 shares authorized, respectively; 15,874,100 and 9,694,500 shares issued and outstanding, respectively (1)	158,700	96,900
Common stock held by Rabbi Trust	(1,169,600)	(1,169,600)
Deferred compensation liability	1,169,600	1,169,600
Paid-in capital	162,365,600	162,497,700
Accumulated deficit	(169,775,900)	(167,299,100)
Irvine Sensors Corporation stockholders' deficit	(7,251,100)	(4,703,300)
Noncontrolling interest	324,400	324,400
Total stockholders' deficit	(6,926,700)	(4,378,900)
Total liabilities and stockholders' deficit	\$ 6,184,700	\$ 5,851,600

(1) The number of shares of preferred stock and common stock issued and outstanding have been rounded to nearest one hundred (100).

**IRVINE SENSORS CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

(Unaudited)

	13 Weeks Ended		26 Weeks Ended	
	March 28, 2010	March 29, 2009	March 28, 2010	March 29, 2009
<b>Revenues:</b>				
Contract research and development revenue	\$ 2,014,300	\$ 2,295,300	\$ 4,773,700	\$ 4,738,500
Product sales	700,400	545,900	1,147,400	836,700
Other revenue	6,700	-	10,500	9,500
Total revenues	<u>2,721,400</u>	<u>2,841,200</u>	<u>5,931,600</u>	<u>5,584,700</u>
<b>Cost and expenses:</b>				
Cost of contract research and development revenue	1,468,700	2,008,500	3,504,900	3,945,900
Cost of product sales	704,500	409,800	1,107,300	787,800
General and administrative expense	1,476,600	2,258,900	3,128,000	4,119,700
Research and development expense	601,000	436,300	1,356,200	786,700
Total costs and expenses	<u>4,250,800</u>	<u>5,113,500</u>	<u>9,096,400</u>	<u>9,640,100</u>
<b>Gain on sale or disposal of assets</b>	-	8,632,800	12,500	8,632,800
<b>Income (loss) from operations</b>	<u>(1,529,400)</u>	<u>6,360,500</u>	<u>(3,152,300)</u>	<u>4,577,400</u>
Interest expense	(131,200)	(830,600)	(246,100)	(1,239,700)
Provision for litigation judgment	-	-	(20,200)	-
Litigation settlement expense	(1,820,700)	-	(1,820,700)	-
Change in fair value of derivative instrument	14,500	-	60,000	-
Interest and other income (expense)	700	15,100	(300)	46,700
Income (loss) from continuing operations before provision for income taxes	<u>(3,466,100)</u>	<u>5,545,000</u>	<u>(5,179,600)</u>	<u>3,384,400</u>
Benefit (provision) for income taxes	46,500	(410,100)	43,300	(429,000)
Income (loss) from continuing operations	<u>(3,419,600)</u>	<u>5,134,900</u>	<u>(5,136,300)</u>	<u>2,955,400</u>
Discontinued operations:				
Income (loss) from discontinued operations	-	(6,900)	-	58,400
<b>Net income (loss)</b>	<u>(3,419,600)</u>	<u>5,128,000</u>	<u>(5,136,300)</u>	<u>3,013,800</u>
Add net income attributable to noncontrolling interests in subsidiary	-	-	-	100
<b>Net income (loss) attributable to Company</b>	<u>\$ (3,419,600)</u>	<u>\$ 5,128,000</u>	<u>\$ (5,136,300)</u>	<u>\$ 3,013,900</u>
Basic and diluted net income (loss) per common share information:				
From continuing operations attributable to Company	\$ (0.24)	\$ 0.87	\$ (0.54)	\$ 0.50
From discontinued operations attributable to Company	-	-	-	0.01
Basic and diluted net income (loss) attributable to Company per common share	<u>\$ (0.24)</u>	<u>\$ 0.87</u>	<u>\$ (0.54)</u>	<u>\$ 0.51</u>
Weighted average number of common shares outstanding, basic and diluted	<u>14,351,900</u>	<u>5,790,500</u>	<u>12,246,700</u>	<u>5,544,700</u>