



NEWS RELEASE

CONTACT: Investor Relations
Irvine Sensors Corporation
714-444-8718
investorrelations@irvine-sensors.com

IRVINE SENSORS RECEIVES \$3.4 MILLION CONTRACT AWARD Next Phase of 3D Circuits Development

FOR IMMEDIATE RELEASE

COSTA MESA, CALIFORNIA -- August 29, 2006 -- Irvine Sensors Corporation (NASDAQ: IRSN) announced today that a government customer has exercised a \$3.4 million option for the next phase of a program to develop 3-dimensional electronics technology intended to continue United States' dominance of high performance integrated circuits. The Irvine Sensors program, dubbed 3D MINT, is a multi-year contract, the first phase of which was completed earlier this year with the successful demonstration of processing speeds and packaging densities that are at least an order of magnitude improved over that achievable with conventional state-of-the-art electronics. The newly awarded contract option is intended to develop hardware that is potentially transferable to both military and commercial applications.

John Carson, Irvine Sensors' CEO, said, "We have been eagerly awaiting this next phase of funding of our 3D MINT program because it represents a major milestone on our roadmap toward truly cognitive sensors that we believe can eventually accomplish human-level recognition and communication. To achieve the speed, capacity, and low power necessary for such sensors, extremely compact and high performance 3-dimensional electronics are required."

Irvine Sensors has been a leading source of innovation in the field of 3-dimensional electronics for over 25 years. During that period, the company has introduced 3-D electronics to a wide variety of military and government applications, including high density memory for space data recorders, ultra high performance neural networks for target recognition and tracking, integrated processors for ballistic missile defense, high performance laser radar imaging and miniature embedded computers. To date, commercial applications of 3-D electronics have largely been limited to components. The technical goal of the 3D MINT program is to extend the use of 3-D electronics to entire computational systems to realize the advantages that such an approach can potentially bring.

Irvine Sensors Corporation (www.irvine-sensors.com), 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

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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.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995: This message may contain forward-looking statements based on our current expectations, estimates and projections about our industry, management's beliefs, and certain assumptions made by us. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," "may," "will" and variations of these words or similar expressions are intended to identify forward-looking statements. These statements include, but are not limited to, our expectations regarding our ability to meet the challenging technical milestones of our 3D MINT program and complete our product roadmap. Such statements speak only as of the date hereof and are subject to change. We undertake no obligation to revise or update publicly any forward-looking statements for any reason. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Therefore, our actual results could differ materially and adversely from those expressed in any forward-looking statements as a result of various factors.

Important factors that may cause such a difference include, but are not limited to, our ability to successfully perform under any government contracts; the ability of our subcontractors to meet their developmental objectives related to our program; our ability to supplement our staff as required to meet the technical objectives of the program; the unforeseen impact of new technological approaches that might enable competitive approaches to the objectives of our 3D MINT program; the timing of government procurement activities; the contract funding priorities of government agencies; the competitive funding pressure on R&D contract funding resulting from demands of current military operations; and the general economic and political conditions and specific conditions in the markets we address. Further information on Irvine Sensors Corporation, including additional risk factors that may affect our forward looking statements, is contained in our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K and our other SEC filings that are available through the SEC's website (www.sec.gov).