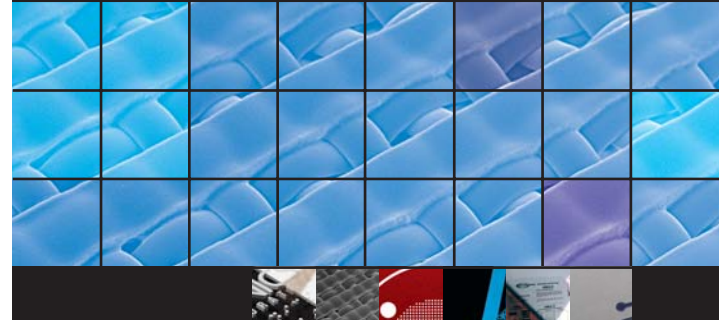




IKONICS

C O R P O R A T I O N

Bringing unique imaging solutions to the people of the world...



2006 FIRST QUARTER REPORT

Common Stock

IKONICS Corporation common stock is traded on the Nasdaq Capital Market under the symbol IKNX.

Transfer Agent

Wells Fargo Shareowner Services
 PO Box 64854
 St. Paul, MN 55164-0854

Shareholders with questions on stock holdings, transfer requirements and address changes contact Wells Fargo Bank at 651-450-4064 or 800-468-9716.

For Additional Financial Information Contact:

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IKONICS CORPORATION
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Summary of Quarterly Statements (Thousands of Dollars, Except Per Share Information)

Quarter Ended	2006			2005			2004		
	Net Sales	Net Income	Earnings Per Share	Net Sales	Net Income	Earnings Per Share	Net Sales	Net Income	Earnings Per Share
March 31	\$3,372	\$98	\$0.05	\$3,329	\$24	\$0.01	\$3,383	\$161	\$0.08
June 30				3,742	275	0.14	3,683	274	0.14
September 30				3,462	287	0.14	3,324	205	0.10
December 31				3,438	322	0.16	3,292	118	0.06
	\$3,372	\$98	\$0.05	\$13,971	\$908	\$0.46	\$13,682	\$758	\$0.38

Unaudited Interim Financial Statements
 (Some columns may not add due to rounding)

May 23, 2006

To Our Shareholders:

Earnings for the first quarter of 2006 were \$98,000 or \$0.05 per share, compared to \$0.01 per share for the first quarter of 2005. Sales were \$3,372,000, a 1% increase over 2005.

The strong increase in earnings reflects reduced expenses and higher margins resulting from a more favorable product mix. Export sales continued to lag, although we anticipate a rebound in the second quarter. The first quarter tends to be our weakest, affected by cold weather related shipping delays and buying patterns in Asia. We look to our new business initiatives to lessen this seasonality and generate growth.

Our new initiatives are gaining traction. We have found that, in addition to abrasive etching, IKONMetal can be uniquely shaped and engraved using a rotary engraver. To capitalize on this we have entered into a distribution alliance with Roland ASD, a leading manufacturer of rotary engravers. Under the agreement, IKONICS will distribute Roland engravers, Roland ASD will promote IKONMetal, and selected Roland distributors will be given the opportunity to re-sell IKONMetal.

Our IKONBraille prototype was received very positively at the April 2006 International Sign Expo. We are in the process of introducing test quantities of the product to the market. IKONBraille is a patent-applied-for product that can be made into high-quality low-cost custom Braille signage using abrasive etching.

For the Board of Directors,



William C. Ulland
Chairman, President & CEO



IKONICS CORPORATION

Condensed Statements of Operations (unaudited)

For the Three Months Ended March 31, 2006 and 2005

	Three Months Ended 03/31/06	03/31/05
Sales	\$3,371,800	\$3,328,527
Costs and expenses net of interest income	3,226,010	3,313,761
Income before income taxes	\$145,790	\$14,766
Federal and state income tax expense (benefit)	47,488	(8,889)
Net income	98,302	23,655
Earnings per common share-diluted	\$0.05	\$0.01
Average shares outstanding-diluted	2,019,238	1,984,051

Condensed Balance Sheets

As of March 31, 2006 and December 31, 2005

	03/31/06 (unaudited)	12/31/05
Assets		
Current assets	\$7,440,824	\$7,728,358
Property, plant and equipment, net	930,772	951,565
Investment in non-marketable equity securities	700,788	450,790
Intangible assets	283,393	279,086
Deferred income taxes	61,000	61,000
	\$9,416,777	\$9,470,799
Liabilities and Equity		
Current liabilities	\$713,828	\$992,294
Long term debt	0	0
Stockholders' equity	8,702,949	8,478,505
	\$9,416,777	\$9,470,799

Condensed Statements of Cash Flow (unaudited)

For Three Months Ended March 31, 2006 and 2005

	03/31/06	03/31/05
Cash flows provided by (used in) operating activities	18,363	(\$143,021)
Cash flows provided by (used in) investing activities	(217,178)	260
Cash flows provided by financing activities	121,221	75,363
Net decrease in cash and cash equivalents	(77,594)	(67,398)
Cash and cash equivalents at beginning of period	3,412,072	2,737,460
Cash and cash equivalents at end of period	\$3,334,478	\$2,670,062

Unaudited interim financial information. Some columns may not add due to rounding.

The preceding letter contains statements regarding future financial results, new products, and other matters that involve risks and uncertainties. The Company's actual results could differ materially as a result of domestic and global economic conditions, competitive market conditions, acceptance of new products, the ability to identify and make suitable acquisitions, as well as the factors described in the company's most recent Form 10-KSB and most recent Form 10-QSB on file with the SEC.